

1 STATE OF OKLAHOMA

2 2nd Session of the 54th Legislature (2014)

3 COMMITTEE SUBSTITUTE  
4 FOR

5 SENATE BILL 2045

6 By: Stanislawski of the Senate

7 and

8 Grau of the House

9 COMMITTEE SUBSTITUTE

10 An Act relating to insurance; amending 36 O.S. 2011,  
11 Section 1510, which relates to the valuation of  
12 certain insurance policies; defining terms; providing  
13 the applicability of certain provisions; updating  
14 references; providing minimum standard of valuation  
15 for accident and health policies after certain date;  
16 providing method to determine operative date of  
17 valuation manual; providing operative date for  
18 changes to valuation manual; specifying the contents  
19 that must be included in the valuation manual;  
20 allowing commissioner to adopt rules in the absence  
21 of certain requirements; authorizing the commissioner  
22 to hire an actuary to examine a company in certain  
23 circumstances; requiring principle-based valuation  
24 for certain contracts and policies; requiring  
companies using principle based valuation to  
establish certain policies and procedures; requiring  
filing of certain report with the commissioner;  
requiring submission certain information prescribed  
by valuation manual; allowing commissioner to exempt  
product from certain requirements if certain  
requirements are met; providing that certain section  
shall prevail if there is a conflict; amending 36  
O.S. 2011, Section 4061, which relates to reserves  
and related actuarial items; defining terms; updating  
internal references; requiring submission of certain  
actuarial opinion to the commissioner after certain  
date; requiring certain actuarial opinion to be  
accompanied by a memorandum; providing requirements

1 for certain actuarial opinion; defining confidential  
2 information; declaring certain memorandum, opinion  
3 and other documents and information to be  
4 confidential; providing that certain information is  
5 not subject to Open Records Act; stating that  
6 commissioner shall not be compelled to testify in  
7 certain situations; allowing commissioner to share  
8 confidential information in certain circumstances;  
9 allowing commissioner to receive certain information  
10 and documents; authorizing commissioner to enter into  
11 certain sharing agreements; providing that disclosure  
12 to commissioner does not constitute a waiver of any  
13 privilege; providing that certain documents may be  
14 subject to subpoena; allowing for release of certain  
15 information upon receiving consent; providing that  
16 publicly volunteered information shall not be  
17 confidential; amending 36 O.S. 2011, Section 4029,  
18 which relates to nonforfeiture provisions in life  
19 insurance policies; providing definition for certain  
20 term; updating internal references; providing minimum  
21 nonforfeiture standards after certain operative date;  
22 and providing an effective date.

23 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

24 SECTION 1. AMENDATORY 36 O.S. 2011, Section 1510, is  
amended to read as follows:

Section 1510. A. ~~1.~~ Definitions. For the purposes of this  
section the following definitions shall apply on or after the  
operative date of the valuation manual:

1. "Accident and health insurance" means contracts that  
incorporate morbidity risk and provide protection against economic  
loss resulting from accident, sickness, or medical conditions and as  
may be specified in the valuation manual;

2. "Company" means an entity which:

1           a. has written, issued, or reinsured life insurance  
2           contracts, accident and health insurance contracts, or  
3           deposit-type contracts in this state and has at least  
4           one such policy in force or on claim, or

5           b. has written, issued, or reinsured life insurance  
6           contracts, accident and health insurance contracts, or  
7           deposit-type contracts in any state and is required to  
8           hold a certificate of authority to write life  
9           insurance, accident and health insurance, or deposit-  
10           type contracts in this state;

11           3. "Deposit-type contract" means contracts that do not  
12           incorporate mortality or morbidity risks and as may be specified in  
13           the valuation manual;

14           4. "Life insurance" means contracts that incorporate mortality  
15           risk, including annuity and pure endowment contracts, and as may be  
16           specified in the valuation manual;

17           5. "NAIC" means the National Association of Insurance  
18           Commissioners;

19           6. "Policyholder behavior" means any action a policyholder,  
20           contract holder or any other person with the right to elect options,  
21           such as a certificate holder, may take under a policy or contract  
22           subject to this section, including, but not limited to, lapse,  
23           withdrawal, transfer, deposit, premium payment, loan, annuitization,  
24           or benefit elections prescribed by the policy or contract but

1 excluding events of mortality or morbidity that result in benefits  
2 prescribed in their essential aspects by the terms of the policy or  
3 contract;

4 7. "Principle-based valuation" means a reserve valuation that  
5 uses one or more methods or one or more assumptions determined by  
6 the insurer and is required to comply with subsection Q of this  
7 section as specified in the valuation manual;

8 8. "Tail risk" means a risk that occurs either where the  
9 frequency of low probability events is higher than expected under a  
10 normal probability distribution or where there are observed events  
11 of very significant size or magnitude; and

12 9. "Valuation manual" means the manual of valuation  
13 instructions adopted by the NAIC as specified in this section or as  
14 subsequently amended.

15 B. Reserve Valuation.

16 1. Policies and Contracts Issued Prior to the Operative Date of  
17 the Valuation Manual.

18 (a) The Insurance Commissioner shall annually make  
19 calculations of all outstanding policies, additions  
20 thereto, unpaid dividends, annuity and pure endowment  
21 contracts and all other obligations of every life  
22 insurance corporation doing business in this state  
23 issued prior to the operative date of the valuation  
24 manual. In lieu of the valuation of the reserves

1 required of a foreign or alien company, the Insurance  
2 Commissioner may accept a valuation made, or caused to  
3 be made, by the insurance supervisory official of any  
4 state or other jurisdiction when the valuation  
5 complies with the minimum standard provided in this  
6 section.

7 (b) The provisions set forth in subsections C, D, E, F, G,  
8 H, J, K, L, M, N and O of this section shall apply to  
9 all policies and contracts, as appropriate, subject to  
10 this section issued prior to the operative date of the  
11 valuation manual and the provisions set forth in  
12 subsections P and Q of this section shall not apply to  
13 any such policies and contracts.

14 2. Policies and Contracts Issued On and After the Operative  
15 Date of the Valuation Manual.

16 (a) The Insurance Commissioner shall annually make  
17 calculations of all outstanding policies, additions  
18 thereto, unpaid dividends, annuity and pure endowment  
19 contracts, accident and health contracts, deposit-type  
20 contracts, and all other obligations of every company  
21 doing business in this state issued on or after the  
22 operative date of the valuation manual. In lieu of  
23 the valuation of the reserves required of a foreign or  
24 alien company, the Insurance Commissioner may accept a

1           valuation made, or caused to be made, by the insurance  
2           supervisory official of any state or other  
3           jurisdiction when the valuation complies with the  
4           minimum standard provided in this section.

5           (b) The provisions set forth in subsections P and Q of  
6           this section shall apply to all policies and contracts  
7           issued on or after the operative date of the valuation  
8           manual.

9           C. 1. All valuations Valuations made by the Insurance  
10 Commissioner shall be made upon the net premium basis. In the case  
11 of alien insurers, such valuation shall be limited to its United  
12 States business. The legal minimum standard for valuation of  
13 contracts issued before the first day of January, 1910, shall be the  
14 Actuaries or Combined Experience Table of Mortality, with interest  
15 at four percent (4%) per annum, and for valuation of contracts  
16 issued on or after said date and before June 6, 1949, shall be the  
17 American Experience Table of Mortality, or the American Men Table of  
18 Mortality, with interest at three and one-half percent (3 1/2%) per  
19 annum. Except as otherwise provided policies issued on or after the  
20 operative date of paragraph 4 of subsection G I of Section 4029 of  
21 this title, policies issued on or after June 6, 1949, shall be  
22 valued, collectively as to all such policies or severally as to  
23 policies of any plan or form at the option of the company according  
24 to the American Experience Table of Mortality, the American Men

1 Table of Mortality, the Commissioners 1941 Standard Ordinary  
2 Mortality Table or on and after July 1, 1962, the Commissioners 1958  
3 Standard Ordinary Mortality Table for policies of ordinary  
4 insurance, and the Standard Industrial Mortality Table (1907), or  
5 the 1941 Standard Industrial Mortality Table or the Commissioners  
6 1961 Standard Industrial Mortality Table for policies of industrial  
7 insurance, with interest at not more than three and one-half percent  
8 (3 1/2%) per annum, or four percent (4%) per annum in the case of  
9 policies issued on or after April 11, 1974, and prior to March 17,  
10 1978, and four and one-half percent (4 1/2%) per annum for policies  
11 issued on or after March 17, 1978; provided, however, that policies  
12 issued to substandard risks or other special classes may be valued  
13 according to such other mortality tables, with interest at not more  
14 than three and one-half percent (3 1/2%) per annum, or four percent  
15 (4%) per annum in the case of policies issued on or after April 11,  
16 1974, and prior to March 17, 1978, and four and one-half percent (4  
17 1/2%) per annum for policies issued on or after March 17, 1978, as  
18 may be approved by the Insurance Commissioner.

19 2. For individual annuity and pure endowment contracts,  
20 excluding any disability and accidental death benefits in such  
21 policies, the 1937 Standard Annuity Mortality Table, or, at the  
22 option of the company, the Annuity Mortality Table for 1949,  
23 Ultimate, or any modification of either of these tables approved by  
24 the Commissioner.

1           3. For group annuity and pure endowment contracts, excluding  
2 any disability and accidental death benefits in such policies, the  
3 Group Annuity Mortality Table for 1951, any modification of such  
4 table approved by the Commissioner, or, at the option of the  
5 company, any of the tables or modifications of tables specified for  
6 individual annuity and pure endowment contracts.

7           4. The mortality table used in determining the minimum standard  
8 for the valuation of ordinary life insurance policies issued on or  
9 after the operative date of paragraph 4 of subsection G I of Section  
10 4029 of this title shall be (i) the Commissioners 1980 Standard  
11 Ordinary Mortality Table, or (ii) at the election of the company for  
12 any one or more specified plans of life insurance, the Commissioners  
13 1980 Standard Ordinary Mortality Table with Ten-Year Select  
14 Mortality Factors, or (iii) any ordinary mortality table, adopted  
15 after 1980 by the ~~National Association of Insurance Commissioners~~  
16 NAIC, that is approved by regulation promulgated by the Commissioner  
17 for use in determining the minimum standard of valuation for such  
18 policies.

19           5. Except as provided in subsection B D of this section, the  
20 minimum standard ~~for the~~ of valuation ~~of all~~ for individual annuity  
21 and pure endowment contracts issued on or after the operative date  
22 of this section and for ~~all~~ annuities and pure endowments purchased  
23 on or after such operative date under group annuity and pure  
24 endowment contracts shall be the Commissioner's reserve valuation

1 methods defined in subsections ~~F~~ G and ~~F~~ H of this section and the  
2 following tables and interest rates:

3 (a) For individual annuity and pure endowment contracts  
4 issued prior to August 29, 1977, excluding any  
5 disability and accidental death benefit in such  
6 contracts, the 1971 Individual Annuity Mortality  
7 Table, or any modification of this table approved by  
8 the Commissioner, and six percent (6%) interest for  
9 single premium immediate annuity contracts, and four  
10 percent (4%) interest for all other individual annuity  
11 and pure endowment contracts~~†~~†,

12 (b) For individual single premium immediate annuity  
13 contracts issued on or after August 29, 1977,  
14 excluding any disability and accidental death benefits  
15 in such contracts, the 1971 Individual Annuity  
16 Mortality Table or any individual annuity mortality  
17 table adopted after 1980 by the ~~National Association~~  
18 ~~of Insurance Commissioners~~ NAIC that is approved by  
19 regulation promulgated by the Commissioner for use in  
20 determining the minimum standard of valuation for such  
21 contracts, or any modification of these tables  
22 approved by the Commissioner, and seven and one-half  
23 percent (7 1/2%) interest~~†~~†,

1 (c) For individual annuity and pure endowment contracts  
2 issued on or after August 29, 1977, other than single  
3 premium immediate annuity contracts, excluding any  
4 disability and accidental death benefits in such  
5 contracts, the 1971 Individual Annuity Mortality Table  
6 or any individual annuity mortality table adopted  
7 after 1980 by the ~~National Association of Insurance~~  
8 ~~Commissioners~~ NAIC that is approved by regulation  
9 promulgated by the Commissioner for use in determining  
10 the minimum standard of valuation for such contracts,  
11 or any modification of these tables approved by the  
12 Commissioner, and five and one-half percent (5 1/2%)  
13 interest for single premium deferred annuity and pure  
14 endowment contracts and four and one-half percent (4  
15 1/2%) interest for all other such individual annuity  
16 and pure endowment contracts~~†~~, and

17 (d) For all annuities and pure endowments purchased prior  
18 to August 29, 1977, under group annuity and pure  
19 endowment contracts, excluding any disability and  
20 accidental death benefits purchased under such  
21 contracts, the 1971 Group Annuity Mortality Table, or  
22 any modification of this table approved by the  
23 Commissioner, and six percent (6%) interest~~†~~, and

1 (e) For all annuities and pure endowments purchased on or  
2 after August 29, 1977, under group annuity and pure  
3 endowment contracts, excluding any disability and  
4 accidental death benefits purchased under such  
5 contracts, the 1971 Group Annuity Mortality Table or  
6 any group annuity mortality table adopted after 1980  
7 by the ~~National Association of Insurance Commissioners~~  
8 NAIC that is approved by regulation promulgated by the  
9 Commissioner for use in determining the minimum  
10 standard of valuation for such annuities and pure  
11 endowments, or any modification of these tables  
12 approved by the Commissioner, and seven and one-half  
13 percent (7 1/2%) interest.

14 After June 14, 1973, any company may file with the Commissioner  
15 a written notice of its election to comply with the provisions of  
16 this section after a specified date before January 1, 1985, which  
17 shall be the operative date of this section for such company,  
18 provided, a company may elect a different operative date for  
19 individual annuity and pure endowment contracts from that elected  
20 for group annuity and pure endowment contracts. If a company makes  
21 no such election, the operative date of this section for such  
22 company shall be January 1, 1985.

23 ~~B.~~ D. 1. The interest rates used in determining the minimum  
24 standard for the valuation of all life insurance policies issued in

1 a particular calendar year on or after the operative date of  
2 paragraph 4 of subsection ~~G~~ I of Section 4029 of this title shall be  
3 the calendar year statutory valuation interest rates as defined in  
4 this section.

5 2. The interest rates used in determining the minimum standard  
6 valuation of ~~all~~ individual annuity and pure endowment contracts  
7 issued in a particular calendar year on or after January 1, 1985,  
8 and ~~all~~ annuities and pure endowments purchased in a particular  
9 calendar year on or after January 1, 1985, under group annuity and  
10 pure endowment contracts shall be the calendar year statutory  
11 valuation interest rates as defined in this section.

12 ~~G~~ E. 1. The calendar year statutory valuation interest rates,  
13 I, shall be determined as follows and the results rounded to the  
14 nearest one-fourth of one percent (1/4 of 1%):

15 (a) For life insurance,

16 
$$I = .03 + W (R_a - .03) + (W/2) (R_b - .09)$$

17 where  $R_a$  is the lesser of  $R$  and  $.09$ ,  $R_b$  is the greater  
18 of  $R$  and  $.09$ ,  $R$  is the reference interest rate defined  
19 in this section, and  $W$  is the weighting factor defined  
20 in this section.

21 (b) For single premium immediate annuities and for annuity  
22 benefits involving life contingencies arising from  
23 other annuities with cash settlement options and from  
24

1 guaranteed interest contracts with cash settlement  
2 options,

$$3 \quad I = .03 + W(r - .03)$$

4 where  $R_1$  is the lesser of  $R$  and  $.09$ ,  $R_2$  is the  
5 greater of  $R$  and  $.09$ ,  $R$  is the reference interest rate  
6 defined in this section, and  $W$  is the weighting factor  
7 defined in this section.

8 (c) For other annuities with cash settlement options and  
9 guaranteed interest contracts with cash settlement  
10 options, valued on an issue year basis, except as  
11 stated in subparagraph (b) of this paragraph, the  
12 formula for life insurance stated in subparagraph (a)  
13 of this paragraph shall apply to annuities and  
14 guaranteed interest contracts with guarantee durations  
15 in excess of ten (10) years and the formula for single  
16 premium immediate annuities stated in subparagraph (b)  
17 of this paragraph shall apply to annuities and  
18 guaranteed interest contracts with guarantee duration  
19 of ten (10) years or less.

20 (d) For other annuities with no cash settlement options  
21 and for guaranteed interest contracts with no cash  
22 settlement options, the formula for single premium  
23 immediate annuities stated in subparagraph (b) of this  
24 paragraph shall apply, and

1 (e) For other annuities with cash settlement options and  
2 guaranteed interest contracts with cash settlement  
3 options, valued on a change in fund basis, the formula  
4 for single premium immediate annuities stated in  
5 subparagraph (b) of this paragraph shall apply.

6 2. However, if the calendar year statutory valuation interest  
7 rate for any life insurance policies issued in any calendar year  
8 determined without reference to this sentence differs from the  
9 corresponding actual rate for similar policies issued in the  
10 immediately preceding calendar year by less than one-half of one  
11 percent (1/2 of 1%), the calendar year statutory valuation interest  
12 rate for such life insurance policies shall be equal to the  
13 corresponding actual rate for the immediately preceding calendar  
14 year. For purposes of applying the immediately preceding sentence,  
15 the calendar year statutory valuation interest rate for life  
16 insurance policies issued in a calendar year shall be determined for  
17 1980, using the reference interest rate defined for 1979, and shall  
18 be determined for each subsequent calendar year.

19 ~~D.~~ F. 1. The weighting factors referred to in the formulas  
20 stated above are given in the following table:

21 (a) Weighting Factors for Life Insurance:

22 Guarantee

23 Duration

24 (Years)

Weighting

Factors

1 10 or less .50

2 More than 10, but not

3 more than 20 .45

4 More than 20 .35

5 For life insurance, the guarantee duration is the  
6 maximum number of years the life insurance can remain  
7 in force on a basis guaranteed in the policy or under  
8 options to convert to plans of life insurance with  
9 premium rates or nonforfeiture values or both which  
10 are guaranteed in the original policy.

11 (b) Weighting factor for single premium immediate  
12 annuities and for annuity benefits involving life  
13 contingencies arising from other annuities with cash  
14 settlement options and guaranteed interest contracts  
15 with cash settlement options: .80

16 (c) Weighting factors for other annuities and for  
17 guaranteed interest contracts, except as stated in  
18 subparagraph (b) of this paragraph, shall be as  
19 specified in tables (1), (2) and (3) below, according  
20 to the rules and definitions in (4) and (5) below:

21 (1) For annuities and guaranteed interest contracts  
22 valued on an issue year basis:

23	Guarantee	Weighting Factor
24	Duration	for Plan Type

1	(Years)	A	B	C
2	5 or less	.80	.60	.50
3	More than 5, but not			
4	more than 10	.75	.60	.50
5	More than 10, but not			
6	more than 20	.65	.50	.45
7	More than 20	.45	.35	.35

~~Plan Type~~

~~A — B — C~~

(2) For annuities and guaranteed interest contracts valued on a change in fund basis, the factors shown in (1) above increased by:

Plan Type

A      B      C

.15    .25    .05

~~Plan Type~~

~~A — B — C~~

(3) For annuities and guaranteed interest contracts valued on an issue year basis (other than those with no cash settlement options) which do not guarantee interest on considerations received more than one (1) year after issue or purchase and for annuities and guaranteed interest contracts valued on a change in fund basis which

1 do not guarantee interest rates on considerations  
2 received more than twelve (12) months beyond the  
3 valuation date, the factors shown in (1) or  
4 derived in (2) increased by:

<u>Plan Type</u>		
<u>A</u>	<u>B</u>	<u>C</u>
.05	.05	.05

5  
6  
7  
8 (4) For other annuities with cash settlement options  
9 and guaranteed interest contracts with cash  
10 settlement options, the guarantee duration is the  
11 number of years for which the contract guarantees  
12 interest rates in excess of the calendar year  
13 statutory valuation interest rate for life  
14 insurance policies with guarantee duration in  
15 excess of twenty (20) years. For other annuities  
16 with no cash settlement options and for  
17 guaranteed interest contracts with no cash  
18 settlement options, the guarantee duration is the  
19 number of years from the date of issue or date of  
20 purchase to the date annuity benefits are  
21 scheduled to commence.

22 (5) Plan type as used in the above tables is defined  
23 as follows:  
24

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

9 Plan Type B: Before expiration of the interest  
10 rate guarantee, policyholder may withdraw funds  
11 only (1) with adjustment to reflect changes in  
12 interest rates or asset values since receipt of  
13 the funds by the insurance company, or (2)  
14 without such adjustment but in installments over  
15 five (5) years or more, or (3) no withdrawal  
16 permitted. At the end of interest rate  
17 guarantee, funds may be withdrawn without such  
18 adjustment in a single sum or installments over  
19 less than five (5) years.

20 Plan Type C: Policyholder may withdraw funds  
21 before expiration of interest rate guarantee in a  
22 single sum or installments over less than five  
23 (5) years either (1) without adjustment to  
24 reflect changes in interest rates or asset values

1           since receipt of the funds by the insurance  
2           company, or (2) subject only to a fixed surrender  
3           charge stipulated in the contract as a percentage  
4           of the fund.

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

21       ~~E.~~ G. 1. The reference interest rate referred to above shall  
22 be defined as follows:

23           (a) For ~~all~~ life insurance, the lesser of the average over  
24           a period of thirty-six (36) months and the average

1 over a period of twelve (12) months, ending on June 30  
2 of the calendar year next preceding the year of issue,  
3 of Moody's Corporate Bond Yield Average -- Monthly  
4 Average Corporates, as published by Moody's Investors  
5 Service, Inc. .

6 (b) For single premium immediate annuities and for annuity  
7 benefits involving life contingencies arising from  
8 other annuities with cash settlement options and  
9 guaranteed interest contracts with cash settlement  
10 options, the average over a period of twelve (12)  
11 months, ending on June 30 of the calendar year of  
12 issue or year of purchase of the Monthly Average of  
13 the Composite Yield on Seasoned Corporate Bonds, as  
14 published by Moody's Investors Service, Inc. .

15 (c) For other annuities with cash settlement options and  
16 guaranteed interest contracts with cash settlement  
17 options, valued on an issue year basis, except as  
18 stated in subparagraph (b) of this paragraph, with  
19 guarantee duration in excess of ten (10) years, the  
20 lesser of the average over a period of thirty-six (36)  
21 months and the average over a period of twelve (12)  
22 months, ending on June 30 of the calendar year of  
23 issue or purchase, of the Monthly Average of the  
24

1 Composite Yield on Seasoned Corporate Bonds, as  
2 published by Moody's Investors Service, Inc.,

3 (d) For other annuities with cash settlement options and  
4 guaranteed interest contracts with cash settlement  
5 options, valued on an issue year basis, except as  
6 stated in subparagraph (b) of this paragraph, with  
7 guarantee duration of ten (10) years or less, the  
8 average over a period of twelve (12) months, ending on  
9 June 30 of the calendar year of issue or purchase, of  
10 the Monthly Average of the Composite Yield on Seasoned  
11 Corporate Bonds, as published by Moody's Investors  
12 Service, Inc.,

13 (e) For other annuities with no cash settlement options  
14 and for guaranteed interest contracts with no cash  
15 settlement options, the average over a period of  
16 twelve (12) months, ending on June 30 of the calendar  
17 year of issue or purchase, of the Monthly Average of  
18 the Composite Yield on Seasoned Corporate Bonds, as  
19 published by Moody's Investors Service, Inc., and

20 (f) For other annuities with cash settlement options and  
21 guaranteed interest contracts with cash settlement  
22 options, valued on a change in fund basis, except as  
23 stated in subparagraph (b) of this paragraph, the  
24 average over a period of twelve (12) months, ending on

1 June 30 of the calendar year of the change in the  
2 fund, of the Monthly Average of the Composite Yield on  
3 Seasoned Corporate Bonds, as published by Moody's  
4 Investors Service, Inc.

5 ~~F.~~ H. In the event that the Moody's Corporate Bond Yield  
6 Average - Monthly Average Corporates is no longer published by  
7 Moody's Investors Service, Inc., or in the event that the ~~National~~  
8 ~~Association of Insurance Commissioners~~ NAIC determines that the  
9 Moody's Corporate Bond Yield Average - Monthly Average Corporates as  
10 published by Moody's Investors Service, Inc., is no longer  
11 appropriate for the determination of the reference interest rate,  
12 then an alternative method for determination of the reference  
13 interest rate, which is adopted by the ~~National Association of~~  
14 ~~Insurance Commissioners~~ NAIC and approved by regulation promulgated  
15 by the Commissioner, may be substituted.

16 ~~G.~~ I. The Commissioner may vary the standards of interest and  
17 mortality in particular cases of invalid life and other extra  
18 hazards and value policies in groups, use approximate averages for  
19 fractions of a year and otherwise, and accept the valuation of the  
20 Department of Insurance of any other state or country, if made upon  
21 a basis and according to standards not lower than herein required or  
22 authorized, in place of the valuation herein required.

23 ~~H.~~ J. If in any contract year the gross premium charged by any  
24 ~~life insurance~~ company on any policy or contract is less than the

1 valuation net premium for the policy or contract calculated by the  
2 method used in computing the reserve liability thereon but using the  
3 minimum valuation standards of mortality and rate of interest, the  
4 minimum reserve required for such policy or contract shall be the  
5 greater of either the reserve calculated according to the mortality  
6 table, rate of interest and method actually used for such policy or  
7 contract, or the reserve calculated by the method actually used for  
8 such policy or contract, but using the minimum valuation standards  
9 of mortality and rate of interest and replacing the valuation net  
10 premium by the actual gross premium in each contract year for which  
11 the valuation net premium exceeds the actual gross premium. The  
12 minimum valuation standards of mortality and rate of interest  
13 referred to in this subsection are those standards stated in this  
14 section.

15        Provided that for any life insurance policy issued on or after  
16 January 1, 1986, for which the gross premium in the first policy  
17 year exceeds that of the second year and for which no comparable  
18 additional benefit is provided in the first year for such excess,  
19 and which provides an endowment benefit or a cash surrender value or  
20 a combination thereof in an amount greater than such excess premium,  
21 the foregoing provisions of this subsection shall be applied as if  
22 the method actually used in calculating the reserve for such policy  
23 were the method described in paragraph 2 of subsection ¶ 1 of this  
24 section, ignoring subparagraph (c) of that paragraph. The minimum

1 reserve at each policy anniversary of such a policy shall be the  
2 greater of the minimum reserve calculated in accordance with  
3 paragraph 2 of subsection ~~J~~ L of this section, including  
4 subparagraph (c) of that paragraph, and the minimum reserve  
5 calculated in accordance with this subsection.

6 ~~J~~ K. Term Insurance.

7 Policies issued by life insurance companies doing business in  
8 this state may provide for not more than one (1) year preliminary  
9 term insurance, purchased by the whole or part of the premium to be  
10 received during the first policy year, under the conditions  
11 prescribed in this section.

12 ~~J~~ L. Reserves.

13 1. Reserves on policies of ordinary insurance which are valued  
14 in accordance with the American Experience Table of Mortality, or  
15 the American Men Table of Mortality, and policies of industrial  
16 insurance which are valued in accordance with the Standard  
17 Industrial Mortality Table (1907), which are issued on or after June  
18 6, 1949, may be computed as follows: If the premium charged for  
19 term insurance under a limited payment life preliminary term policy  
20 providing for the payment of all premiums thereon in less than  
21 twenty (20) years from the date of the policy or under an endowment  
22 preliminary term policy, exceeds that charged for life insurance,  
23 under twenty-year payment life preliminary term policies of the same  
24 company, the reserve thereon at the end of any year, including the

1 first, shall not be less than the reserve on a twenty-payment life  
2 preliminary term policy issued in the same year and at the same age,  
3 together with an amount which shall be equivalent to the  
4 accumulation of a net level premium sufficient to provide for a pure  
5 endowment at the end of the premium payment period equal to the  
6 difference between the value at the end of such period of such a  
7 twenty-payment life preliminary term policy and the full reserve at  
8 such time of such a limited payment life or endowment policy. The  
9 premium payment period is the period during which premiums are  
10 concurrently payable under such twenty-payment life preliminary term  
11 policy and such limited payment life or endowment policy. Any  
12 policy valued in accordance with this paragraph shall specify the  
13 mortality table, rate of interest, and method used in calculating  
14 the reserves on the policy.

15 2. Reserves on policies of ordinary insurance which are valued  
16 in accordance with the Commissioners 1941 Standard Ordinary  
17 Mortality Table, the Commissioners 1958 Standard Ordinary Mortality  
18 Table, or the Commissioners 1980 Standard Ordinary Mortality Table,  
19 policies of industrial insurance which are valued in accordance with  
20 the 1941 Standard Industrial Mortality Table or the Commissioners  
21 1961 Standard Industrial Mortality Table and policies valued in  
22 accordance with any substandard mortality table approved by the  
23 Commissioner pursuant to this section, issued on or after June 6,  
24 1949, may be computed in accordance with the Commissioners Reserve

1 Valuation method, defined as follows: Reserves for the life  
2 insurance and endowment benefits of policies providing for a uniform  
3 amount of insurance and requiring the payment of uniform premiums  
4 shall be the excess, if any, of the present value, at the date of  
5 valuation, of such future guaranteed benefits provided for by such  
6 policies, over the then present value of any future modified net  
7 premiums therefor. The modified net premiums for any such policy  
8 shall be such uniform percentage of the respective contract premiums  
9 for such benefits that the present value, at the date of issue of  
10 the policy, of all such modified net premiums shall be equal to the  
11 sum of the then present value of such benefits provided for by the  
12 policy and the excess of subparagraph (a) over subparagraph (b) as  
13 follows:

14 (a) a net level annual premium equal to the present value,  
15 at the date of issue, of such benefits provided for  
16 after the first policy year, divided by the present  
17 value, at the date of issue, of an annuity of one per  
18 annum payable on the first and each subsequent  
19 anniversary of such policy on which a premium falls  
20 due; provided, however, that such level annual premium  
21 shall not exceed the net level annual premium on the  
22 nineteen-year premium whole life plan for insurance of  
23 the same amount at the age one (1) year higher than  
24 the age at issue of such policy,

1 (b) a net one-year term premium for such benefits provided  
2 for in the first policy year, and  
3 (c) provided that for any life insurance policy issued on  
4 or after January 1, 1986, for which the contract  
5 premium in the first policy year exceeds that of the  
6 second year and for which no comparable additional  
7 benefit is provided in the first year for such excess  
8 and which provides an endowment benefit or a cash  
9 surrender value or a combination thereof in an amount  
10 greater than such excess premium, the reserve  
11 according to the commissioners reserve valuation  
12 method as of any policy anniversary occurring on or  
13 before the assumed ending date defined herein as the  
14 first policy anniversary on which the sum of any  
15 endowment benefit and any cash surrender value then  
16 available is greater than such excess premium shall,  
17 except as otherwise provided in subsection # J of this  
18 section, be the greater of the reserve as of such  
19 policy anniversary calculated as described in this  
20 paragraph and the reserve as of such policy  
21 anniversary calculated as described in subparagraph  
22 (a) of this paragraph, but with (i) the value defined  
23 in subparagraph (a) of that paragraph being reduced by  
24 fifteen percent (15%) of the amount of such excess

1 first-year premium, (ii) all present values of  
2 benefits and premiums being determined without  
3 reference to premiums or benefits provided for by the  
4 policy after the assumed ending date, (iii) the policy  
5 being assumed to mature on such date as an endowment,  
6 and (iv) the cash surrender value provided on such  
7 date being considered as an endowment benefit. In  
8 making the above comparison, the mortality and  
9 interest bases stated in this section shall be used.

10 Reserves for life insurance policies providing for a varying  
11 amount of insurance or requiring the payment of varying premiums  
12 shall be calculated by a method consistent with the principles of  
13 paragraph 2 of this subsection, provided that any extra premiums  
14 charged because of impairments or special hazards shall be  
15 disregarded in the determination of modified net premiums. All  
16 modified net premiums and present values referred to in this  
17 section, except those based on sex-distinct mortality tables, may be  
18 calculated according to an age not more than six (6) years younger  
19 than the actual age of the insured in the case of any category of  
20 ordinary policies issued on female risks.

21 ~~K.~~ M. 1. Reserves on policies of any category may be computed,  
22 at the option of the company, according to any valuation standard  
23 which produces greater aggregate reserves than those computed  
24 according to the minimum standard provided in this section.

1        2. In the case of any plan of life insurance which provides for  
2 future premium determination, the amounts of which are to be  
3 determined by the insurance company based on then estimates of  
4 future experience, or in the case of any plan of life insurance or  
5 annuity which is of such a nature that the minimum reserves cannot  
6 be determined by the methods described in subsections A C, G I, H J,  
7 I K, and L N of this section, the reserves which are held under any  
8 such plan must:

9            (a) be appropriate in relation to the benefits and the  
10                 pattern of premiums for that plan, and

11            (b) be computed by a method which is consistent with the  
12                 principles of this Standard Valuation Law,

13 as determined by regulations promulgated by the Commissioner.

14        ~~L~~. N. This section shall apply to all annuity and pure  
15 endowment contracts other than group annuity and pure endowment  
16 contracts purchased under a retirement plan or plan of deferred  
17 compensation, established or maintained by an employer (including a  
18 partnership or sole proprietorship) or by an employee organization,  
19 or by both, other than a plan providing individual retirement  
20 accounts or individual retirement annuities under Section 408 of the  
21 Internal Revenue Code, as now or hereafter amended.

22        Reserves according to the Commissioners Annuity Reserve method  
23 for benefits under annuity or pure endowment contracts, excluding  
24 any disability and accidental death benefits in such contracts,

1 shall be the greatest of the respective excesses of the present  
2 values, at the date of valuation, of the future guaranteed benefits,  
3 including guaranteed nonforfeiture benefits, provided for by such  
4 contracts at the end of each respective contract year, over the  
5 present value, at the date of valuation, of any future valuation  
6 considerations derived from future gross considerations, required by  
7 the terms of such contract, that become payable prior to the end of  
8 such respective contract year. The future guaranteed benefits shall  
9 be determined by using the mortality table, if any, and the interest  
10 rate, or rates, specified in such contracts for determining  
11 guaranteed benefits. The valuation considerations are the portions  
12 of the respective gross considerations applied under the terms of  
13 such contracts to determine nonforfeiture values.

14 O. For accident and health insurance contracts issued on or  
15 after the operative date of the valuation manual, the standard  
16 prescribed in the valuation manual is the minimum standard of  
17 valuation required under paragraph 2 of subsection B of this  
18 section. For accident and health insurance contracts issued prior  
19 to the operative date of the valuation manual, the minimum standard  
20 of valuation is the standard adopted by the commissioner by rule.

21 P. Valuation Manual for Policies Issued On or After the  
22 Operative Date of the Valuation Manual.

23 1. For policies issued on or after the operative date of the  
24 valuation manual, the standard prescribed in the valuation manual is

1 the minimum standard of valuation required under paragraph 2 of  
2 subsection B of this section, except as provided under paragraphs 5  
3 or 7 of this subsection.

4 2. The operative date of the valuation manual is January 1 of  
5 the first calendar year following the first July 1 as of which all  
6 of the following have occurred:

7 a. the valuation manual has been adopted by the NAIC by  
8 an affirmative vote of at least forty-two members, or  
9 three-fourths of the members voting, whichever is  
10 greater,

11 b. the Standard Valuation Law, as amended by the NAIC in  
12 2009, or legislation including substantially similar  
13 terms and provisions, has been enacted by states  
14 representing greater than seventy-five percent (75%)  
15 of the direct premiums written as reported in the  
16 following annual statements submitted for 2008: life,  
17 accident and health annual statements; health annual  
18 statements; or fraternal annual statements, and

19 c. the Standard Valuation Law, as amended by the NAIC in  
20 2009, or legislation including substantially similar  
21 terms and provisions, has been enacted by at least  
22 forty-two of the following fifty-five jurisdictions:  
23 the fifty states of the United States, American Samoa,  
24

1 the American Virgin Islands, the District of Columbia,  
2 Guam, and Puerto Rico.

3 3. Unless a change in the valuation manual specifies a later  
4 effective date, changes to the valuation manual shall be effective  
5 on January 1 following the date when all of the following have  
6 occurred:

7 a. the change to the valuation manual has been adopted by  
8 the NAIC by an affirmative vote representing:

9 (1) at least three-fourths (3/4) of the members of  
10 the NAIC voting, but not less than a majority of  
11 the total membership, and

12 (2) members of the NAIC representing jurisdictions  
13 totaling greater than seventy-five percent (75%)  
14 of the direct premiums written as reported in the  
15 following annual statements most recently  
16 available prior to the vote in division (1) of  
17 this subparagraph: life, accident and health  
18 annual statements; health annual statements; or  
19 fraternal annual statements, and

20 b. the valuation manual becomes effective pursuant to  
21 order adopted by the commissioner.

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 paragraph 2 of

1 subsection B of this section. Such minimum valuation  
2 standards shall be:

3 (1) the commissioner's reserve valuation method for  
4 life insurance contracts, other than annuity  
5 contracts, subject to paragraph 2 of subsection B  
6 of this section,

7 (2) the commissioner's annuity reserve valuation  
8 method for annuity contracts subject to paragraph  
9 2 of subsection B of this section, and

10 (3) minimum reserves for all other policies or  
11 contracts subject to paragraph 2 of subsection B  
12 of this section,

13 b. which policies or contracts or types of policies or  
14 contracts that are subject to the requirements of a  
15 principle-based valuation in paragraph 1 of subsection  
16 Q of this section and the minimum valuation standards  
17 consistent with those requirements,

18 c. for policies and contracts subject to a principle-  
19 based valuation under subsection Q of this section:

20 (1) requirements for the format of reports to the  
21 commissioner under subparagraph (c) of paragraph  
22 2 of subsection Q of this section and which shall  
23 include information necessary to determine if the  
24

1 valuation is appropriate and in compliance with  
2 this section,

3 (2) assumptions shall be prescribed for risks over  
4 which the company does not have significant  
5 control or influence, and

6 (3) procedures for corporate governance and oversight  
7 of the actuarial function, and a process for  
8 appropriate waiver or modification of such  
9 procedures,

10 d. for policies not subject to a principle-based  
11 valuation under subsection Q of this section, the  
12 minimum valuation standard shall either

13 (1) be consistent with the minimum standard of  
14 valuation prior to the operative date of the  
15 valuation manual, or

16 (2) develop reserves that quantify the benefits and  
17 guarantees, and the funding, associated with the  
18 contracts and their risks at a level of  
19 conservatism that reflects conditions that  
20 include unfavorable events that have a reasonable  
21 probability of occurring,

22 e. other requirements, including, but not limited to,  
23 those relating to reserve methods, models for  
24 measuring risk, generation of economic scenarios,

1 assumptions, margins, use of company experience, risk  
2 measurement, disclosure, certifications, reports,  
3 actuarial opinions and memorandums, transition rules  
4 and internal controls, and

5 f. the data and form of the data required under  
6 subsection R of this section, with whom the data must  
7 be submitted, and may specify other requirements,  
8 including data analyses and reporting of analyses.

9 5. In the absence of a specific valuation requirement or if a  
10 specific valuation requirement in the valuation manual is not, in  
11 the opinion of the commissioner, in compliance with this subsection,  
12 then the company shall, with respect to such requirements, comply  
13 with minimum valuation standards prescribed by the commissioner by  
14 regulation.

15 6. The commissioner may engage a qualified actuary, at the  
16 expense of the company, to perform an actuarial examination of the  
17 company and opine on the appropriateness of any reserve assumption  
18 or method used by the company, or to review and opine on a company's  
19 compliance with any requirement set forth in this section. The  
20 commissioner may rely upon the opinion, regarding provisions  
21 contained within this section, of a qualified actuary engaged by the  
22 commissioner of another state, district or territory of the United  
23 States. As used in this paragraph, the term "engage" includes  
24 employment and contracting.

1        7. The commissioner may require a company to change any  
2 assumption or method that in the opinion of the commissioner is  
3 necessary in order to comply with the requirements of the valuation  
4 manual or this section; and the company shall adjust the reserves as  
5 required by the commissioner. The commissioner may take other  
6 disciplinary action as permitted pursuant to rule.

7        Q. Requirements of a Principle-Based Valuation.

8        1. A company must establish reserves using a principle-based  
9 valuation that meets the following conditions for policies or  
10 contracts as specified in the valuation manual:

11        a. quantify the benefits and guarantees, and the funding,  
12 associated with the contracts and their risks at a  
13 level of conservatism that reflects conditions that  
14 include unfavorable events that have a reasonable  
15 probability of occurring during the lifetime of the  
16 contracts. For policies or contracts with significant  
17 tail risk, reflects conditions appropriately adverse  
18 to quantify the tail risk,

19        b. incorporate assumptions, risk analysis methods and  
20 financial models and management techniques that are  
21 consistent with, but not necessarily identical to,  
22 those utilized within the company's overall risk  
23 assessment process, while recognizing potential

1 differences in financial reporting structures and any  
2 prescribed assumptions or methods,

3 c. incorporate assumptions that are derived in one of the  
4 following manners:

5 (1) the assumption is prescribed in the valuation  
6 manual,

7 (2) for assumptions that are not prescribed, the  
8 assumptions shall:

9 (i) be established utilizing the company's  
10 available experience, to the extent it is  
11 relevant and statistically credible, or

12 (ii) to the extent that company data is not  
13 available, relevant, or statistically  
14 credible, be established utilizing other  
15 relevant, statistically credible experience,  
16 and

17 d. provide margins for uncertainty including adverse  
18 deviation and estimation error, such that the greater  
19 the uncertainty the larger the margin and resulting  
20 reserve.

21 2. A company using a principle-based valuation for one or more  
22 policies or contracts subject to this subsection as specified in the  
23 valuation manual shall:  
24

1       a. establish procedures for corporate governance and  
2       oversight of the actuarial valuation function  
3       consistent with those described in the valuation  
4       manual,

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

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

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

20       R. Experience Reporting for Policies In Force On or After the  
21       Operative Date of the Valuation Manual.

22       A company shall submit mortality, morbidity, policyholder  
23       behavior, or expense experience and other data as prescribed in the  
24       valuation manual.

1        ~~M.~~ S. When the actual funds of any life insurance company doing  
2 business in this state, exclusive of its capital, are not of a net  
3 cash value equal to its liabilities including the net value of its  
4 policies according to the basis and minimum standards prescribed or  
5 authorized by the laws of this state, it shall be the duty of the  
6 Insurance Commissioner to give notice to such company and its agents  
7 to discontinue issuing new policies within this state, until such  
8 time as its funds have become equal to its liabilities as aforesaid.  
9 Any officer or agent who, after such notice has been given, issues  
10 or delivers a new policy from and on behalf of such company before  
11 its funds have become equal to its liabilities, as aforesaid, shall  
12 forfeit to the state for each offense a sum not less than One  
13 Hundred Dollars (\$100.00) nor more than Five Thousand Dollars  
14 (\$5,000.00) for each occurrence.

15        T. Exemption.

16        1. The Commissioner may exempt specific product forms or  
17 product lines of a domestic company that is licensed and doing  
18 business only in Oklahoma from the requirements of subsection P of  
19 this section provided:

- 20            a. the Commissioner has issued an exemption in writing to  
21            the company and has not subsequently revoked the  
22            exemption in writing, and  
23            b. the company computes reserves using assumptions and  
24            methods used prior to the operative date of the

1 valuation manual in addition to any requirements  
2 established by the commissioner and promulgated by  
3 regulation.

4 2. A domestic company that is licensed and doing business in  
5 Oklahoma is exempt from the requirements of subsection P provided:

6 a. if the company is a member of a group of life  
7 insurers, the group has combined ordinary life  
8 premiums of less than One Billion Dollars  
9 (\$1,000,000,000.00),

10 b. the company has an RBC ratio of at least four hundred  
11 and fifty percent (450%) of authorized control level  
12 RBC, and

13 c. the appointed actuary has provided an unqualified  
14 opinion on the reserves in accordance with subsections  
15 A and B of Section 4061 of this title.

16 3. For purposes of subsection 2 above, ordinary life premiums  
17 are measured as direct plus reinsurance assumed from an unaffiliated  
18 company from the prior calendar year annual statement.

19 4. For any company that is exempt or is granted an exemption  
20 under this section, subsections B and C of Section 4061 of this  
21 title and subsections C, D, E, F, G, H, J, K, L, M, N and O of this  
22 section shall be applicable. With respect to any company applying  
23 this exemption, any reference to subsection P found in subsections B  
24

1 and C of Section 4061 and subsections C, D, E, F, G, H, J, K, L, M,  
2 N and O of this section not be applicable.

3 U. Conflict of law.

4 If any provision of law is inconsistent with the provisions of  
5 this section, this section shall prevail.

6 SECTION 2. AMENDATORY 36 O.S. 2011, Section 4061, is  
7 amended to read as follows:

8 Section 4061. A. ~~Beginning January 1, 1998, every~~ Definitions.

9 For the purposes of this section, the following definitions shall  
10 apply on or after the operative date of the valuation manual:

11 1. "Accident and health insurance" means contracts that  
12 incorporate morbidity risk and provide protection against economic  
13 loss resulting from accident, sickness, or medical conditions and as  
14 may be specified in the valuation manual;

15 2. "Appointed actuary" means a qualified actuary who is  
16 appointed in accordance with the valuation manual to prepare the  
17 actuarial opinion required in this section;

18 3. "Company" means an entity which:

19 a. has written, issued, or reinsured life insurance  
20 contracts, accident and health insurance contracts, or  
21 deposit-type contracts in this state and has at least  
22 one such policy in force or on claim, or

23 b. has written, issued, or reinsured life insurance  
24 contracts, accident and health insurance contracts, or

1 deposit-type contracts in any state and is required to  
2 hold a certificate of authority to write life  
3 insurance, accident and health insurance, or deposit-  
4 type contracts in this state;

5 4. "Deposit-type contract" means contracts that do not  
6 incorporate mortality or morbidity risks and as may be specified in  
7 the valuation manual;

8 5. "Life insurance" means contracts that incorporate mortality  
9 risk, including annuity and pure endowment contracts, and as may be  
10 specified in the valuation manual;

11 6. "NAIC" means the National Association of Insurance  
12 Commissioners;

13 7. "Principle-based valuation" means a reserve valuation that  
14 uses one or more methods or one or more assumptions determined by  
15 the insurer and is required to comply with subsection Q of Section  
16 1510 of this title as specified in the valuation manual;

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

22 9. "Valuation manual" means the manual of valuation  
23 instructions adopted by the NAIC as specified in Section 1510 of  
24 this title or as subsequently amended.

1        B. Actuarial Opinion Beginning January 1, 1998, and Prior to  
2 the Operative Date of the Valuation Manual.

3        1. Every life insurance company doing business in this state  
4 shall annually, and quarterly if required by the Insurance  
5 Commissioner, submit the opinion of a qualified actuary as to  
6 whether the reserves and related actuarial items held in support of  
7 the policies and contracts specified by the Insurance Commissioner  
8 by rule are computed appropriately, are based on assumptions which  
9 satisfy contractual provisions, are consistent with prior reported  
10 accounts and comply with applicable laws of this state. The  
11 Commissioner by rule shall define the specifics of this opinion and  
12 add any other items deemed to be necessary to its scope.

13        ~~B. 1. Beginning January 1, 1998, every~~

14        2. a. Every life insurance company, except as exempted by or  
15 pursuant to rule, shall also annually, and quarterly  
16 if required by the Insurance Commissioner, include in  
17 the opinion required by ~~subsection A of this section~~  
18 paragraph 1 of this subsection, an opinion of the same  
19 qualified actuary as to whether the reserves and  
20 related actuarial items held in support of the  
21 policies and contracts specified by the Commissioner  
22 by rule, when considered in light of the assets held  
23 by the company with respect to the reserves and  
24 related actuarial items, including but not limited to

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

8 ~~2.~~

9 b. The Commissioner may provide by rule for a transition  
10 period for establishing any higher reserves which the  
11 qualified actuary may deem necessary in order to  
12 render the opinion required by this section.

13 ~~C. 3.~~ Each opinion required by ~~subsection B of this section~~  
14 paragraph 2 of this subsection shall be accompanied by a memorandum,  
15 in form and substance acceptable to the Commissioner as specified by  
16 rule, prepared to support each actuarial opinion. If the insurance  
17 company fails to provide a supporting memorandum at the request of  
18 the Commissioner within a period specified by rule, or the  
19 Commissioner determines that the supporting memorandum provided by  
20 the insurance company fails to meet the standards prescribed by the  
21 rules or is otherwise unacceptable to the Commissioner, the  
22 Commissioner may engage a qualified actuary at the expense of the  
23 company to review the opinion and the basis for the opinion and  
24

1 prepare such supporting memorandum as is required by the  
2 Commissioner.

3 ~~D.~~ 4. Every opinion shall be governed by the following  
4 provisions:

5 ~~1.~~ The

6 a. the opinion shall be submitted with the annual  
7 statement and quarterly statement, if a quarterly  
8 statement is required by the Commissioner, reflecting  
9 the valuation of such reserve liabilities for each  
10 year~~+~~1

11 ~~2.~~ The

12 b. the opinion shall apply to all business in force  
13 including individual and group health insurance plans,  
14 in form and substance acceptable to the Commissioner  
15 as specified by rule~~+~~1

16 ~~3.~~ The

17 c. the opinion shall be based on standards adopted from  
18 time to time by the Actuarial Standards Board and on  
19 such additional standards as the Commissioner may by  
20 rule prescribe~~+~~1

21 ~~4.~~ In

22 d. in the case of an opinion required to be submitted by  
23 a foreign or alien company, the Commissioner may  
24 accept the opinion filed by that company with the

1 insurance supervisory official of another state if the  
2 Commissioner determines that the opinion reasonably  
3 meets the requirements applicable to a company  
4 domiciled in this state~~†~~,‡

5 ~~5. Except~~

6 e. except in cases of fraud or willful misconduct, the  
7 qualified actuary shall not be liable for damages to  
8 any person, other than the insurance company and the  
9 Commissioner, for any act, error, omission, decision  
10 or conduct with respect to the actuary's opinion~~†~~,‡ and

11 ~~6. Disciplinary~~

12 f. disciplinary action by the Commissioner against the  
13 company or the qualified actuary shall be defined in  
14 rules by the Commissioner.

15 ~~E. 1.~~

16 5. a. Any memorandum in support of the opinion, and any  
17 other material provided by the company to the  
18 Commissioner in connection therewith, shall be kept  
19 confidential by the Commissioner and shall not be made  
20 public and shall not be subject to subpoena, other  
21 than for the purpose of defending an action seeking  
22 damages from any person by reason of any action  
23 required by this section or by rules promulgated  
24 hereunder; provided, however, that the memorandum or

1 other material may otherwise be released by the  
2 Commissioner as follows:

3 ~~a.~~

4 (1) with the written consent of the company, or

5 ~~b.~~

6 (2) to the American Academy of Actuaries upon request  
7 stating that the memorandum or other material is  
8 required for the purpose of professional  
9 disciplinary proceedings and setting forth  
10 procedures satisfactory to the Commissioner for  
11 preserving the confidentiality of the memorandum  
12 or other material.

13 ~~2.~~

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

20 ~~F.~~ 6. For the purposes of this section, "qualified actuary"  
21 means a member in good standing of the American Academy of Actuaries  
22 who meets the requirements set forth in rules promulgated by the  
23 Insurance Commissioner.

1 C. Actuarial Opinion of Reserves after the Operative Date of  
2 the Valuation Manual.

3 1. Every company with outstanding life insurance contracts,  
4 accident and health insurance contracts or deposit-type contracts in  
5 this state and subject to regulation by the commissioner shall  
6 annually, and quarterly if required by the Insurance Commissioner,  
7 submit the opinion of the appointed actuary as to whether the  
8 reserves and related actuarial items held in support of the policies  
9 and contracts are computed appropriately, are based on assumptions  
10 which satisfy contractual provisions, are consistent with prior  
11 reported accounts and comply with applicable laws of this state.  
12 The valuation manual will prescribe the specifics of this opinion  
13 including any items deemed to be necessary to its scope.

14 2. Every life insurance company with outstanding life insurance  
15 contracts, accident health insurance contracts or deposit type  
16 contracts in this state and subject to regulation by the  
17 commissioner, except as exempted in the valuation manual, shall also  
18 annually, and quarterly if required by the Insurance Commissioner,  
19 include in the opinion required by paragraph 1 of this subsection,  
20 an opinion of the same appointed actuary as to whether the reserves  
21 and related actuarial items held in support of the policies and  
22 contracts specified in the valuation manual, when considered in  
23 light of the assets held by the company with respect to the reserves  
24 and related actuarial items, including, but not limited to, the

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

6 3. Each opinion required by paragraph 2 of this subsection  
7 shall be accompanied by a memorandum, in form and substance as  
8 specified in the valuation manual, and acceptable to the  
9 Commissioner, prepared to support each actuarial opinion. If the  
10 insurance company fails to provide a supporting memorandum at the  
11 request of the Commissioner within a period specified in the  
12 valuation manual or is otherwise unacceptable to the Commissioner,  
13 the Commissioner may engage a qualified actuary at the expense of  
14 the company to review the opinion and the basis for the opinion and  
15 prepare such supporting memorandum as is required by the  
16 Commissioner.

17 4. Every opinion shall be governed by the following provisions:  
18 a. the opinion shall be in form and substance as  
19 specified in the valuation manual and acceptable to  
20 the Commissioner,  
21 b. the opinion shall be submitted with the annual  
22 statement and quarterly statement, if a quarterly  
23 statement is required by the Commissioner, reflecting  
24 the valuation of such reserve liabilities for each

1 year ending on or after the operative date of the  
2 valuation manual,

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

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

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

18 f. except in cases of fraud or willful misconduct, the  
19 appointed actuary shall not be liable for damages to  
20 any person, other than the insurance company and the  
21 Commissioner, for any act, error, omission, decision  
22 or conduct with respect to the appointed actuary's  
23 opinion, and

1           g. disciplinary action by the Commissioner against the  
2           company or the appointed actuary shall be defined in  
3           rules by the Commissioner.

4           D. Confidentiality.

5           1. For purposes of this subsection "confidential information"

6           means:

7           a. a memorandum in support of an opinion submitted under  
8           this section and any other documents, materials and  
9           other information, including, but not limited to, all  
10           working papers, and copies thereof, created, produced  
11           or obtained by or disclosed to the commissioner or any  
12           other person in connection with such memorandum,

13           b. all documents, materials and other information,  
14           including, but not limited to, all working papers, and  
15           copies thereof, created, produced or obtained by or  
16           disclosed to the commissioner or any other person in  
17           the course of an examination made under paragraph 6 of  
18           subsection P of Section 1510 of this title; provided,  
19           however, that if an examination report or other  
20           material prepared in connection with an examination  
21           made under Sections 309.1 through 309.7 of this title  
22           is not held as private and confidential information  
23           under Sections 309.1 through 309.7 of this title, an  
24           examination report or other material prepared in

1 connection with an examination made under paragraph 6  
2 of subsection P of Section 1510 of this title shall  
3 not be "Confidential Information" to the same extent  
4 as if such examination report or other material had  
5 been prepared under Sections 309.1 through 309.7 of  
6 this title,

7 c. any reports, documents, materials and other  
8 information developed by a company in support of, or  
9 in connection with, an annual certification by the  
10 company under subparagraph (b) of paragraph 2 of  
11 subsection Q of Section 1510 of this title evaluating  
12 the effectiveness of the company's internal controls  
13 with respect to a principle-based valuation and any  
14 other documents, materials and other information,  
15 including, but not limited to, all working papers, and  
16 copies thereof, created, produced or obtained by or  
17 disclosed to the commissioner or any other person in  
18 connection with such reports, documents, materials and  
19 other information,

20 d. any principle-based valuation report developed under  
21 subparagraph (c) of paragraph 2 of subsection Q of  
22 Section 1510 of this title and any other documents,  
23 materials and other information, including, but not  
24 limited to, all working papers, and copies thereof,

1 created, produced or obtained by or disclosed to the  
2 commissioner or any other person in connection with  
3 such report, and

4 e. any documents, materials, data and other information  
5 submitted by a company under subsection R of Section  
6 1510 of this title, collectively, "experience data",  
7 and any other documents, materials, data and other  
8 information, including, but not limited to, all  
9 working papers, and copies thereof, created or  
10 produced in connection with such experience data, in  
11 each case that include any potentially company-  
12 identifying or personally identifiable information,  
13 that is provided to or obtained by the commissioner,  
14 together with any "experience data", the "experience  
15 materials", and any other documents, materials, data  
16 and other information, including, but not limited to,  
17 all working papers, and copies thereof, created,  
18 produced or obtained by or disclosed to the  
19 commissioner or any other person in connection with  
20 such experience materials.

21 2. Privilege for, and Confidentiality of, Confidential

22 Information.

23 a. except as provided in this subsection, a company's  
24 Confidential Information is confidential by law and

1 privileged, and shall not be subject to Oklahoma Open  
2 Records Act, shall not be subject to subpoena and  
3 shall not be subject to discovery or admissible in  
4 evidence in any private civil action; provided,  
5 however, that the commissioner is authorized to use  
6 the Confidential Information in the furtherance of any  
7 regulatory or legal action brought against the company  
8 as a part of the commissioner's official duties,

9 b. neither the commissioner nor any person who received  
10 Confidential Information while acting under the  
11 authority of the commissioner shall be permitted or  
12 required to testify in any private civil action  
13 concerning any Confidential Information,

14 c. in order to assist in the performance of the  
15 commissioner's duties, the commissioner may share  
16 Confidential Information:

17 (1) with other state, federal and international  
18 regulatory agencies and with the NAIC and its  
19 affiliates and subsidiaries,

20 (2) in the case of Confidential Information specified  
21 in subparagraphs (a) and (d) of paragraph 1 of  
22 this subsection, with the Actuarial Board for  
23 Counseling and Discipline or its successor upon  
24 request stating that the Confidential Information

1                   is required for the purpose of professional  
2                   disciplinary proceedings and with state, federal  
3                   and international law enforcement officials, and  
4                   (3) in the case of (1) and (2), provided that such  
5                   recipient agrees, and has the legal authority to  
6                   agree, to maintain the confidentiality and  
7                   privileged status of such documents, materials,  
8                   data and other information in the same manner and  
9                   to the same extent as required for the  
10                   commissioner.

11           d. the commissioner may receive documents, materials,  
12           data and other information, including otherwise  
13           confidential and privileged documents, materials, data  
14           or information, from the NAIC and its affiliates and  
15           subsidiaries, from regulatory or law enforcement  
16           officials of other foreign or domestic jurisdictions  
17           and from the Actuarial Board for Counseling and  
18           Discipline or its successor and shall maintain as  
19           confidential or privileged any document, material,  
20           data or other information received with notice or the  
21           understanding that it is confidential or privileged  
22           under the laws of the jurisdiction that is the source  
23           of the document, material or other information,  
24

1 e. the commissioner may enter into agreements governing  
2 sharing and use of information consistent with  
3 paragraph 2 of this subsection,

4 f. no waiver of any applicable privilege or claim of  
5 confidentiality in the Confidential Information shall  
6 occur as a result of disclosure to the commissioner  
7 under this section or as a result of sharing as  
8 authorized in subparagraph (c) of paragraph 2 of this  
9 subsection,

10 g. a privilege established under the law of any state or  
11 jurisdiction that is substantially similar to the  
12 privilege established under paragraph 2 of this  
13 subsection shall be available and enforced in any  
14 proceeding in, and in any court of, this state,

15 h. in this subsection "regulatory agency", "law  
16 enforcement agency" and the "NAIC" include, but are  
17 not limited to, their employees, agents, consultants  
18 and contractors.

19 3. Notwithstanding paragraph 2 of this subsection, any  
20 Confidential Information specified in subparagraphs a and d of  
21 paragraph 1 of this subsection:

22 a. may be subject to subpoena for the purpose of  
23 defending an action seeking damages from the appointed  
24 actuary submitting the related memorandum in support

1 of an opinion submitted under this section or  
2 principle-based valuation report developed under  
3 subparagraph c of paragraph 2 of subsection Q of  
4 Section 1510 of this title by reason of an action  
5 required by Section 1510 of this title or by rules  
6 promulgated hereunder,

7 b. may otherwise be released by the commissioner with the  
8 written consent of the company, and

9 c. once any portion of a memorandum in support of an  
10 opinion submitted under this section or a principle-  
11 based valuation report developed under subparagraph c  
12 of paragraph 2 of subsection Q of Section 1510 of this  
13 title is cited by the company in its marketing or is  
14 publicly volunteered to or before a governmental  
15 agency other than a state insurance department or is  
16 released by the company to the news media, all  
17 portions of such memorandum or report shall no longer  
18 be confidential.

19 SECTION 3. AMENDATORY 36 O.S. 2011, Section 4029, is  
20 amended to read as follows:

21 Section 4029. A. Definitions. The term "operative date of the  
22 valuation manual" means the January 1 of the first calendar year  
23 that the valuation manual, as defined in the Section 1510 of this  
24 title, is effective.

1        B. No policy of life insurance, except as set forth in  
2 subsection ~~±~~ M of this section, shall be delivered or issued for  
3 delivery in this state unless it shall contain in substance the  
4 following provisions, or corresponding provisions which are at least  
5 as favorable to the defaulting or surrendering policyholder as are  
6 the minimum requirements hereinafter specified and are essentially  
7 in compliance with subsection ~~Ⓚ~~ L of this section:

8            1. That in the event of default in any premium payment, after  
9 premiums have been paid for at least three (3) full years, the  
10 insurer will grant, upon proper request not later than sixty (60)  
11 days after the due date of the premium in default, a paid-up  
12 nonforfeiture benefit on a plan stipulated in the policy, effective  
13 as of such due date, of such amount as may be hereinafter specified.  
14 In lieu of such stipulated paid-up nonforfeiture benefit, the  
15 insurer may substitute, upon proper request not later than sixty  
16 (60) days after the due date of the premium in default, an  
17 actuarially equivalent alternative paid-up nonforfeiture benefit  
18 which provides a greater amount or longer period of death benefits  
19 or, if applicable, a greater amount or earlier payment of endowment  
20 benefits.

21            2. That upon surrender of the policy within sixty (60) days  
22 after the due date of any premium payment in default after premiums  
23 have been paid for at least three (3) full years in the case of  
24 ordinary insurance, or five (5) full years in the case of industrial

1 insurance, the insurer will pay, in lieu of any paid-up  
2 nonforfeiture benefit, a cash surrender value of such amount as may  
3 be hereinafter specified.

4 3. That a specified paid-up nonforfeiture benefit shall become  
5 effective as specified in the policy unless the person entitled to  
6 make such election elects another available option not later than  
7 sixty (60) days after the due date of the premium in default.

8 4. That if the policy shall have become paid up by completion  
9 of all premium payments, or if it is continued under any paid-up  
10 nonforfeiture benefit which became effective on or after the third  
11 policy anniversary in the case of ordinary insurance, or the fifth  
12 policy anniversary in the case of industrial insurance, the insurer  
13 will pay, upon surrender of the policy within thirty (30) days after  
14 any policy anniversary, a cash surrender value of such amount as may  
15 be hereinafter specified.

16 5. In the case of policies which cause, on a basis guaranteed  
17 in the policy, unscheduled changes in benefits or premiums, or which  
18 provide an option for changes in benefits or premiums other than a  
19 change to a new policy, a statement of the mortality table, interest  
20 rate and method used in calculating cash surrender values and the  
21 paid-up nonforfeiture benefits available under the policy. In the  
22 case of all other policies, a statement of the mortality table and  
23 interest rate used in calculating the cash surrender values and the  
24 paid-up nonforfeiture benefits available under the policy, together

1 with a table showing the cash surrender value, if any, and paid-up  
2 nonforfeiture benefit, if any, available under the policy on each  
3 policy anniversary, either during the first twenty (20) policy years  
4 or during the term of the policy, whichever is shorter, such values  
5 and benefits to be calculated upon the assumption that there are no  
6 dividends or paid-up additions credited to the policy and that there  
7 is no indebtedness to the insurer on the policy.

8       6. An explanation of the manner in which the cash surrender  
9 values and the paid-up nonforfeiture benefits are altered by the  
10 existence of any paid-up additions credited to the policy or any  
11 indebtedness to the insurer on the policy; if a detailed statement  
12 of the method of computation of the values and benefits shown in the  
13 policy is not stated therein, a statement that such method of  
14 computation has been filed with the insurance supervisory official  
15 of the state in which the policy is delivered; and a statement of  
16 the method to be used in calculating the cash surrender value and  
17 paid-up nonforfeiture benefit available under the policy on any  
18 policy anniversary beyond the last anniversary for which such values  
19 and benefits are consecutively shown in the policy.

20       ~~B.~~ C. Any of the provisions or portions thereof set forth in  
21 paragraphs 1 through 6 of subsection ~~A~~ B of this section which are  
22 not applicable by reason of the plan of insurance may, to the extent  
23 inapplicable, be omitted from the policy. The insurer shall reserve  
24 the right to defer the payment of any cash surrender value for a

1 period of six (6) months after demand therefor with surrender of the  
2 policy.

3 ~~C.~~ D. Cash surrender value: The policy must comply with the  
4 requirements of one of the following paragraphs:

5 1. Any cash surrender value available under the policy in the  
6 event of default in the premium payment due on any policy  
7 anniversary, whether or not required by subsection ~~A~~ B of this  
8 section, shall be at least equal to the reserve on the policy at  
9 date of default and on any paid-up additions thereto, less a sum of  
10 not more than two and one-half percent (2 1/2%) of the amount  
11 insured by the policy and of the paid-up additions thereto, if any,  
12 and less any existing indebtedness to the company on or secured by  
13 the policy; the reserve on such policy to be computed in accordance  
14 with the mortality table and the rate of interest specified in the  
15 policy for the calculation of the cash value and by the net level  
16 premium method of valuation unless a modified net premium method of  
17 valuation be specified in the policy. No cash surrender value shall  
18 be required in policies of term insurance of twenty (20) years or  
19 less.

20 2. Any cash surrender value available under the policy in the  
21 event of default in the premium payment due on any policy  
22 anniversary, whether or not required by subsection ~~A~~ B of this  
23 section, shall be an amount not less than the excess, if any, of the  
24 present value on such anniversary of the future guaranteed benefits

1 which would have been provided for by the policy, including any  
2 existing paid-up additions if there had been no default over the sum  
3 of (i) the then present value of the adjusted premiums as defined in  
4 subsections F G, G H and H I of this section, corresponding to  
5 premiums which would have fallen due on and after such anniversary,  
6 and (ii) the amount of any indebtedness to the insurer on account of  
7 or secured by the policy.

8 3. Provided, however, that for any policy issued on or after  
9 the operative date of paragraph 4 of subsection H I of this section  
10 as defined therein, which provides supplemental life insurance or  
11 annuity benefits at the option of the insured and for an  
12 identifiable additional premium by rider or supplemental policy  
13 provision, the cash surrender value referred to in paragraph 2 of  
14 this subsection shall be an amount not less than the sum of the cash  
15 surrender value as defined in such paragraph for an otherwise  
16 similar policy issued at the same age without such rider or  
17 supplemental policy provision and the cash surrender value as  
18 defined in such paragraph for a policy which provides only the  
19 benefits otherwise provided by such rider or supplemental policy  
20 provision.

21 4. Provided, further, that for any family policy issued on or  
22 after the operative date of paragraph 4 of subsection H I of this  
23 section as defined therein, which defines a primary insured and  
24 provides term insurance on the life of the spouse of the primary

1 insured expiring before the spouse's age seventy-one (71) years, the  
2 cash surrender value referred to in paragraph 2 of this subsection  
3 shall be an amount not less than the sum of the cash surrender value  
4 as defined in such paragraph for an otherwise similar policy issued  
5 at the same age without such term insurance on the life of the  
6 spouse and the cash surrender value as defined in such paragraph for  
7 a policy which provides only the benefits otherwise provided by such  
8 term insurance on the life of the spouse.

9       5. Any cash surrender value available within thirty (30) days  
10 after any policy anniversary under any policy paid up by completion  
11 of all premium payments, or any policy continued under any paid-up  
12 nonforfeiture benefits, whether or not required by subsection A B,  
13 shall be an amount not less than the present value, on such  
14 anniversary, of the future guaranteed benefits provided for by the  
15 policy including any existing paid-up additions, decreased by any  
16 indebtedness to the insurer on account of or secured by the policy.  
17 The method described in paragraphs 2, 3, 4 and 5 of this subsection  
18 may be referred to as the Standard Nonforfeiture Value Method.

19       ~~D.~~ E. Notification to policyholder of cash surrender value:  
20 Within three (3) months after default of any premium payment on any  
21 life insurance policy which has a cash surrender value, the insurer  
22 shall notify the policyholder in writing of the cash surrender value  
23 and of the policyholder's options as to the application of the cash  
24 surrender value as provided in the policy.

1       ~~E.~~ F. Paid-up nonforfeiture benefits: Any paid-up  
2 nonforfeiture benefit available under the policy in the event of  
3 default in the premium payment due on any policy anniversary shall  
4 be such that its present value as of such anniversary shall be at  
5 least equal to the cash surrender value then provided for by the  
6 policy, or, if none is provided for, that cash surrender value which  
7 would have been required by this section in the absence of the  
8 condition that premiums shall have been paid for at least a  
9 specified period.

10       ~~F.~~ G. The adjusted premium: This subsection shall not apply to  
11 policies issued on or after the operative date of paragraph 4 of  
12 subsection ~~H~~ I of this section as defined therein. Except as  
13 provided in paragraph 2 of subsection ~~G~~ H of this section, the  
14 adjusted premiums for any policy shall be calculated on an annual  
15 basis and shall be such uniform percentage of the respective  
16 premiums specified in the policy for each policy year, excluding  
17 extra premiums on a substandard policy, that the present value, at  
18 the date of issue of the policy, of all such adjusted premiums shall  
19 be equal to the sum of:

- 20           (i) the then present value of the future guaranteed  
21               benefits provided for by the policy;
- 22           (ii) two percent (2%) of the amount of the insurance if the  
23               insurance be uniform in amount, or of the equivalent  
24

1 uniform amount, as hereinafter defined, if the amount  
2 of insurance varies with the duration of the policy;  
3 (iii) forty percent (40%) of the adjusted premium for the  
4 first policy year; and  
5 (iv) twenty-five percent (25%) of either the adjusted  
6 premium for the first policy year or the adjusted  
7 premium for a whole life policy of the same uniform or  
8 equivalent uniform amount with uniform premiums for  
9 the whole of life issued at the same age for the same  
10 amount of insurance, whichever is less, provided,  
11 however, that in applying the percentages specified in  
12 clauses (iii) and (iv) above, no adjusted premiums  
13 shall be deemed to exceed four percent (4%) of the  
14 amount of insurance or uniform amount equivalent  
15 thereto.

16 The date of issue of a policy for the purpose of this section  
17 shall be the date as of which the rated age of the insured is  
18 determined.

19 ~~G.~~ H. 1. This subsection shall not apply to policies issued on  
20 or after the operative date of paragraph 4 of subsection ~~H~~ I of this  
21 section as defined therein. In the case of a policy providing an  
22 amount of insurance varying with the duration of the policy, the  
23 equivalent uniform amount thereof for the purpose of subsection ~~F~~ G  
24 of this section shall be deemed to be the uniform amount of

1 insurance provided by an otherwise similar policy, containing the  
2 same endowment benefit or benefits, if any, issued at the same age  
3 and for the same term, the amount of which does not vary with  
4 duration and the benefits under which have the same present value at  
5 the date of issue as the benefits under the policy, provided,  
6 however, that in the case of a policy providing a varying amount of  
7 insurance issued on the life of a child under age ten (10) years,  
8 the equivalent uniform amount may be computed as though the amount  
9 of insurance provided by the policy prior to the attainment of age  
10 ten (10) years were the amount provided by such policy at age ten  
11 (10) years.

12 2. The adjusted premiums for any policy providing term  
13 insurance benefits by rider or supplemental policy provision shall  
14 be equal to (a) the adjusted premiums for an otherwise similar  
15 policy issued at the same age without such term insurance benefits,  
16 increased, during the period for which premiums for such term  
17 insurance benefits are payable, by (b) the adjusted premiums for  
18 such term insurance, the foregoing items (a) and (b) being  
19 calculated separately and as specified in subsection F G of this  
20 section and paragraph 1 of this subsection except that, for the  
21 purposes of clauses (ii), (iii) and (iv) of subsection F G of this  
22 section, the amount of insurance or equivalent uniform amount of  
23 insurance used in the calculation of the adjusted premiums referred  
24 to in (b) shall be equal to the excess of the corresponding amount

1 determined for the entire policy over the amount used in the  
2 calculation of the adjusted premiums in (a).

3 ~~H.~~ I. 1. This paragraph shall not apply to policies issued on  
4 or after the operative date of paragraph 4 of this subsection as  
5 defined therein. For policies which comply with the requirements of  
6 paragraph 2 of subsection ~~C~~ D of this section and except as  
7 otherwise provided in paragraphs 2 and 3 of this subsection, all  
8 adjusted premiums and present values referred to in this section  
9 shall for policies of ordinary insurance be calculated on the basis  
10 of the Commissioners 1941 Standard Ordinary Mortality Table,  
11 provided that for any category of ordinary insurance issued on  
12 female risks, adjusted premiums and present values may be calculated  
13 according to an age not more than three (3) years younger than the  
14 actual age of the insured, and such calculations for all policies of  
15 industrial insurance shall be made on the basis of the 1941 Standard  
16 Industrial Mortality Table. All calculations shall be made on the  
17 basis of the rate of interest, not exceeding three and one-half  
18 percent (3 1/2%) per annum, specified in the policy for calculating  
19 cash surrender values and paid-up nonforfeiture benefits, provided,  
20 however, that in calculating the present value of any paid-up term  
21 insurance with accompanying pure endowment, if any, offered as a  
22 nonforfeiture benefit, the rates of mortality assumed may be not  
23 more than one hundred thirty percent (130%) of the rates of  
24 mortality according to such applicable table, provided further that

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

5 2. This paragraph shall not apply to ordinary policies issued  
6 on or after the operative date of paragraph 4 of this subsection as  
7 defined therein. In the case of ordinary policies which comply with  
8 the requirements of paragraph 2 of subsection € D of this section  
9 issued on or after July 1, 1962, all adjusted premiums and present  
10 values referred to in this section may be calculated on the basis of  
11 the Commissioners 1958 Standard Ordinary Mortality Table and the  
12 rate of interest specified in the policy for calculating cash  
13 surrender values and paid-up nonforfeiture benefits, provided that  
14 such rate of interest shall not exceed three and one-half percent (3  
15 1/2%) per annum except that a rate of interest not exceeding four  
16 percent (4%) per annum may be used for policies issued on or after  
17 April 11, 1974, and prior to March 17, 1978, and rate of interest  
18 not exceeding five and one-half percent (5 1/2%) per annum may be  
19 used for policies issued on or after March 17, 1978, and provided  
20 that for any category of ordinary insurance issued on female risks,  
21 adjusted premiums and present values may be calculated according to  
22 an age not more than six (6) years younger than the actual age of  
23 the insured. Provided, however, that in calculating the present  
24 value of any paid-up term insurance with accompanying pure

1 endowment, if any, offered as a nonforfeiture benefit, the rates of  
2 mortality assumed may be not more than those shown in the  
3 Commissioners 1958 Extended Term Insurance Table. Provided,  
4 further, that for insurance issued on a substandard basis, the  
5 calculation of any such adjusted premiums and present values may be  
6 based on such other table of mortality as may be specified by the  
7 company and approved by the Commissioner.

8 3. This paragraph shall not apply to industrial policies issued  
9 on or after the operative date of paragraph 4 of this subsection as  
10 defined therein. In the case of industrial policies, which comply  
11 with the requirements of paragraph 2 of subsection € D of this  
12 section, all adjusted premiums and present values referred to in  
13 this section may be calculated on the basis of the Commissioners  
14 1961 Standard Industrial Mortality Table and the rate of interest  
15 specified in the policy for calculating cash surrender values and  
16 paid-up nonforfeiture benefits provided that such rate of interest  
17 shall not exceed three and one-half percent (3 1/2%) per annum  
18 except that a rate of interest not exceeding four percent (4%) per  
19 annum may be used for policies issued on or after April 11, 1974,  
20 and prior to March 17, 1978, and a rate of interest not exceeding  
21 five and one-half percent (5 1/2%) per annum may be used for  
22 policies issued on or after March 17, 1978. Provided, however, that  
23 in calculating the present value of any paid-up term insurance with  
24 accompanying pure endowment, if any, offered as a nonforfeiture

1 benefit, the rates of mortality assumed may be not more than those  
2 shown in the Commissioners 1961 Industrial Extended Term Insurance  
3 Table. Provided, further, that for insurance issued on a  
4 substandard basis, the calculation of any such adjusted premiums and  
5 present values may be based on such other table of mortality as may  
6 be specified by the company and approved by the Commissioner.

7 4. (a) This paragraph shall apply to all policies issued on  
8 or after the operative date of this paragraph as  
9 defined herein. Except as provided in subparagraph  
10 (g) of this paragraph, the adjusted premiums for any  
11 policy shall be calculated on an annual basis and  
12 shall be such uniform percentage of the respective  
13 premiums specified in the policy for each policy year,  
14 excluding amounts payable as extra premiums to cover  
15 impairments or special hazards and also excluding any  
16 uniform annual contract charge or policy fee specified  
17 in the policy in a statement of the method to be used  
18 in calculating the cash surrender values and paid-up  
19 nonforfeiture benefits, that the present value, at the  
20 date of issue of the policy, of all adjusted premiums  
21 shall be equal to the sum of (i) the then present  
22 value of the future guaranteed benefits provided for  
23 by the policy; (ii) one percent (1%) of either the  
24 amount of insurance, if the insurance be uniform in

1 amount, or the average amount of insurance at the  
2 beginning of each of the first ten (10) policy years;  
3 and (iii) one hundred twenty-five percent (125%) of  
4 the nonforfeiture net level premium as hereinafter  
5 defined. Provided, however, that in applying the  
6 percentage specified in (iii) above no nonforfeiture  
7 net level premium shall be deemed to exceed four  
8 percent (4%) of either the amount of insurance, if the  
9 insurance be uniform in amount, or the average amount  
10 of insurance at the beginning of each of the first ten  
11 (10) policy years. The date of issue of a policy for  
12 the purpose of this paragraph shall be the date as of  
13 which the rated age of the insured is determined.

14 (b) The nonforfeiture net level premium shall be equal to  
15 the present value, at the date of issue of the policy,  
16 of the guaranteed benefits provided for by the policy  
17 divided by the present value, at the date of issue of  
18 the policy, of an annuity of one per annum payable on  
19 the date of issue of the policy and on each  
20 anniversary of such policy on which a premium falls  
21 due.

22 (c) In the case of policies which cause on a basis  
23 guaranteed in the policy unscheduled changes in  
24 benefits or premiums, or which provide an option for

1 changes in benefits or premiums other than a change to  
2 a new policy, the adjusted premiums and present values  
3 shall initially be calculated on the assumption that  
4 future benefits and premiums do not change from those  
5 stipulated at the date of issue of the policy. At the  
6 time of any such change in the benefits or premiums  
7 the future adjusted premiums, nonforfeiture net level  
8 premiums and present values shall be recalculated on  
9 the assumption that future benefits and premiums do  
10 not change from those stipulated by the policy  
11 immediately after the change.

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

1 all such future adjusted premiums shall be equal to  
2 the excess of

3 (A) the sum of

4 (i) the then present value of the then future  
5 guaranteed benefits provided for by the  
6 policy and

7 (ii) the additional expense allowance, if any,  
8 over

9 (B) the then cash surrender value, if any, or present  
10 value of any paid-up nonforfeiture benefit under  
11 the policy.

12 (e) The additional expense allowance, at the time of the  
13 change to the newly defined benefits or premiums,  
14 shall be the sum of

15 (i) one percent (1%) of the excess, if positive, of  
16 the average amount of insurance at the beginning  
17 of each of the first ten (10) policy years  
18 subsequent to the change over the average amount  
19 of insurance prior to the change at the beginning  
20 of each of the first ten (10) policy years  
21 subsequent to the time of the most recent  
22 previous change, or, if there has been no  
23 previous change, the date of issue of the policy;  
24 and

1 (ii) one hundred twenty-five percent (125%) of the  
2 increase, if positive, in the nonforfeiture net  
3 level premium.

4 (f) The recalculated nonforfeiture net level premium shall  
5 be equal to the result obtained by dividing (A) by (B)  
6 where

7 (A) equals the sum of

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

15 (ii) the present value of the increase in future  
16 guaranteed benefits provided for by the  
17 policy, and

18 (B) equals the present value of an annuity of one per  
19 annum payable on each anniversary of the policy  
20 on or subsequent to the date of change on which a  
21 premium falls due.

22 (g) Notwithstanding any other provisions of this paragraph  
23 to the contrary, in the case of a policy issued on a  
24 substandard basis which provides reduced graded

1 amounts of insurance so that, in each policy year,  
2 such policy has the same tabular mortality cost as an  
3 otherwise similar policy issued on the standard basis  
4 which provides higher uniform amounts of insurance,  
5 adjusted premiums and present values for such  
6 substandard policy may be calculated as if it were  
7 issued to provide such higher uniform amounts of  
8 insurance on the standard basis.

9 (h) All adjusted premiums and present values referred to  
10 in this section shall for all policies of ordinary  
11 insurance be calculated on the basis of (i) the  
12 Commissioners 1980 Standard Ordinary Mortality Table  
13 or (ii) at the election of the insurer for any one or  
14 more specified plans of life insurance, the  
15 Commissioners 1980 Standard Ordinary Mortality Table  
16 with Ten-Year Select Mortality Factors; shall for all  
17 policies of industrial insurance be calculated on the  
18 basis of the Commissioners 1961 Standard Industrial  
19 Mortality Table; and shall for all policies issued in  
20 a particular calendar year be calculated on the basis  
21 of a rate of interest not exceeding the nonforfeiture  
22 interest rate as defined in this paragraph for  
23 policies issued in that calendar year. Provided,  
24 however, that:

1 (i) At the option of the insurer, calculations for  
2 all policies issued in a particular calendar year  
3 may be made on the basis of a rate of interest  
4 not exceeding the nonforfeiture interest rate, as  
5 defined in this paragraph, for policies issued in  
6 the immediately preceding calendar year,

7 (ii) Under any paid-up nonforfeiture benefit,  
8 including any paid-up dividend additions, any  
9 cash surrender value available, whether or not  
10 required by subsection A B of this section, shall  
11 be calculated on the basis of the mortality table  
12 and rate of interest used in determining the  
13 amount of such paid-up nonforfeiture benefit and  
14 paid-up dividend additions, if any,

15 (iii) An insurer may calculate the amount of any  
16 guaranteed paid-up nonforfeiture benefit  
17 including any paid-up additions under the policy  
18 on the basis of an interest rate no lower than  
19 that specified in the policy for calculating cash  
20 surrender values,

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

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

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

10 (vi) ~~Any ordinary~~ For policies issued prior to the  
11 operative date of the valuation manual, any  
12 Commissioners Standard mortality tables, adopted  
13 after 1980 by the National Association of  
14 Insurance Commissioners, that are approved by  
15 regulation promulgated by the Commissioner for  
16 use in determining the minimum nonforfeiture  
17 standard may be substituted for the Commissioners  
18 1980 Standard Ordinary Mortality Table with or  
19 without Ten-Year Select Mortality Factors or for  
20 the Commissioners 1980 Extended Term Insurance  
21 Table.

22 For policies issued on or after the operative  
23 date of the valuation manual, the valuation  
24 manual shall provide the Commissioners Standard

1 mortality table for use in determining the  
2 minimum nonforfeiture standard that may be  
3 substituted for the Commissioners 1980 Standard  
4 Ordinary Mortality Table with or without Ten-Year  
5 Select Mortality Factors or for the Commissioners  
6 1980 Extended Term Insurance Table. If the  
7 commissioner approves by rule any Commissioners  
8 Standard mortality table adopted by the National  
9 Association of Insurance Commissioners for use in  
10 determining the minimum nonforfeiture standard  
11 for policies issued on or after the operative  
12 date of the valuation manual then that minimum  
13 nonforfeiture standard supersedes the minimum  
14 nonforfeiture standard provided by the valuation  
15 manual, and

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

1 Commissioners 1961 Industrial Extended Term  
2 Insurance Table.

3 For policies issued on or after the operative  
4 date of the valuation manual the valuation manual  
5 shall provide the Commissioner's Standard  
6 mortality table for use in determining the  
7 minimum nonforfeiture standard that may be  
8 substituted for the Commissioners 1961 Standard  
9 Industrial Mortality Table or the Commissioners  
10 1961 Industrial Extended Term Insurance Table.

11 If the commissioner approves by regulation any  
12 Commissioner's Standard industrial mortality  
13 table adopted by the National Association of  
14 Insurance Commissioners for use in determining  
15 the minimum nonforfeiture standard for policies  
16 issued on or after the operative date of the  
17 valuation manual then that minimum nonforfeiture  
18 standard supersedes the minimum nonforfeiture  
19 standard provided by the valuation manual.

20 (i) The nonforfeiture interest rate is defined below:

21 (i) The For policies issued prior to the operative  
22 date of valuation manual, the nonforfeiture  
23 interest rate per annum for any policy issued in  
24 a particular calendar year shall be equal to one

1 hundred twenty-five percent (125%) of the  
2 calendar year statutory valuation interest rate  
3 for such policy as defined in the Standard  
4 Valuation Law, rounded to the nearest one-fourth  
5 of one percent (1/4 of 1%); provided, however,  
6 that the nonforfeiture interest rate shall not be  
7 less than four percent (4%), and

8 (ii) For policies issued on and after the operative  
9 date of the valuation manual the nonforfeiture  
10 interest rate per annum for any policy issued in  
11 a particular calendar year shall be provided by  
12 the valuation manual.

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

20 (k) Any insurer may file with the Commissioner a written  
21 notice of its election to comply with the provisions  
22 of this paragraph after a specified date before  
23 January 1, 1989, which specified date shall be the  
24 operative date of this paragraph for such insurer. If

1 an insurer makes no such election, the operative date  
2 of this paragraph for such insurer shall be January 1,  
3 1989.

4 ~~F.~~ J. In the case of any plan of life insurance which provides  
5 for future premium determination, the amounts of which are to be  
6 determined by the insurer based on then estimates of future  
7 experience, or in the case of any plan of life insurance which is of  
8 such a nature that minimum values cannot be determined by the  
9 methods described in subsections ~~A B~~ through ~~H I~~ of this section:

10 1. The Commissioner must be satisfied that the benefits  
11 provided under the plan are substantially as favorable to  
12 policyholders and insureds as the minimum benefits otherwise  
13 required by subsections ~~A B~~ through ~~H I~~ herein of this section;

14 2. The Commissioner must be satisfied that the benefits and the  
15 pattern of premiums of that plan are not such as to mislead  
16 prospective policyholders or insureds;

17 3. The cash surrender values and paid-up nonforfeiture benefits  
18 provided by such plan must not be less than the minimum values and  
19 benefits required for the plan computed by a method consistent with  
20 the principles of this Standard Nonforfeiture Law for Life  
21 Insurance, as determined by regulations promulgated by the  
22 Commissioner.

23 ~~F.~~ K. Calculation of Values: Any cash surrender value and any  
24 paid-up nonforfeiture benefit available under the policy in the

1 event of default in a premium payment due at any time other than on  
2 the policy anniversary shall be calculated with allowance for the  
3 lapse of time and the payment of fractional premiums beyond the last  
4 preceding policy anniversary, except in the case of industrial  
5 insurance proportionate increases in value may be calculated on the  
6 basis of quarter-year payments. All values referred to in  
7 subsections ~~C, E, F, G and H~~ D, F, G, H and I of this section may be  
8 calculated upon the assumption that any death benefit is payable at  
9 the end of the policy year of death. The net value of any paid-up  
10 additions, other than paid-up term additions, shall be not less than  
11 the amounts used to provide such additions. Notwithstanding the  
12 provisions of subsection ~~E~~ D of this section, additional benefits  
13 payable (1) in the event of death or dismemberment by accident or  
14 accidental means, (2) in the event of total and permanent  
15 disability, (3) as reversionary annuity or deferred reversionary  
16 annuity benefits, (4) as term insurance benefits provided by a rider  
17 or supplemental policy provision to which, if issued as a separate  
18 policy, this section would not apply, (5) as term insurance on the  
19 life of a child or on the lives of children provided in a policy on  
20 the life of a parent of the child, if such term insurance expires  
21 before the child's age is twenty-six (26) years, is uniform in  
22 amount after the child's age is one (1) year, and has not become  
23 paid up by reason of the death of a parent of the child, and (6) as  
24 other policy benefits additional to life insurance and endorsement

1 benefits, and premiums for all such additional benefits, shall be  
2 disregarded in ascertaining cash surrender values and nonforfeiture  
3 benefits required by this section, and no such additional benefits  
4 shall be required to be included in any paid-up nonforfeiture  
5 benefits.

6 ~~K.~~ L. This subsection, in addition to all other applicable  
7 subsections of this section, shall apply to all policies issued on  
8 or after January 1, 1986. Any cash surrender value available under  
9 the policy in the event of default in a premium payment due on any  
10 policy anniversary, shall be in an amount which does not differ by  
11 more than two-tenths of one percent ( $2/10$  of 1%) of either the  
12 amount of insurance, if the insurance be uniform in amount, or the  
13 average amount of insurance at the beginning of each of the first  
14 ten (10) policy years, from the sum of (a) the greater of zero and  
15 the basic cash value hereinafter specified and (b) the present value  
16 of any existing paid-up additions less the amount of any  
17 indebtedness to the insurer under the policy.

18 The basic cash value shall be equal to the present value, on  
19 such anniversary, of the future guaranteed benefits which would have  
20 been provided for by the policy, excluding any existing paid-up  
21 additions and before deduction of any indebtedness to the insurer,  
22 if there had been no default, less the then present value of the  
23 nonforfeiture factors, as hereinafter defined, corresponding to  
24 premiums which would have fallen due on and after such anniversary.

1 Provided, however, that the effects on the basic cash value of  
2 supplemental life insurance or annuity benefits or of family  
3 coverage, as described in subsection ~~E or~~ G D or H of this section,  
4 whichever is applicable, shall be the same as are the effects  
5 specified in subsection ~~E or~~ G D or H of this section, whichever is  
6 applicable on the cash surrender values defined in that subsection.

7 The nonforfeiture factor for each policy year shall be an amount  
8 equal to a percentage of the adjusted premium for the policy year,  
9 as defined in subsection ~~F or~~ H G or I of this section, whichever is  
10 applicable. Except as is required by the next succeeding sentence  
11 of this paragraph, such percentage:

12 1. Must be the same percentage for each policy year between the  
13 second policy anniversary and the later of (i) the fifth policy  
14 anniversary and (ii) the first policy anniversary at which there is  
15 available under the policy a cash surrender value in an amount,  
16 before including any paid-up additions and before deducting any  
17 indebtedness, of at least two-tenths of one percent (2/10 of 1%) of  
18 either the amount of insurance, if the insurance be uniform in  
19 amount, or the average amount of insurance at the beginning of each  
20 of the first ten (10) policy years; and

21 2. Must be such that no percentage after the later of the two  
22 policy anniversaries specified in the preceding paragraph 1 may  
23 apply to fewer than five (5) consecutive policy years.

24

1        Provided, that no basic cash value may be less than the value  
2 which would be obtained if the adjusted premiums for the policy, as  
3 defined in subsection ~~F or H~~ G or I of this section, whichever is  
4 applicable, were substituted for the nonforfeiture factors in the  
5 calculation of the basic cash value.

6        All adjusted premiums and present values referred to in this  
7 section shall for a particular policy be calculated on the same  
8 mortality and interest bases as are used in demonstrating the  
9 policy's compliance with the other subsections of this section. The  
10 cash surrender values referred to in this subsection shall include  
11 any endowment benefits provided for by the policy.

12        Any cash surrender value available other than in the event of  
13 default in a premium payment due on a policy anniversary, and the  
14 amount of any paid-up nonforfeiture benefit available under the  
15 policy in the event of default in a premium payment shall be  
16 determined in manners consistent with the manners specified for  
17 determining the analogous minimum amounts in subsections ~~A, B, C and~~  
18 ~~J~~ B, C, D and K and paragraph 4 of subsection ~~H~~ I of this section.  
19 The amounts of any cash surrender values and of any paid-up  
20 nonforfeiture benefits granted in connection with additional  
21 benefits such as those listed as items (1) through (6) in subsection  
22 ~~J~~ K of this section shall conform with the principles of this  
23 subsection.

24        ~~L~~ M. 1. This section shall not apply to any of the following:

- 1 a. reinsurance,
- 2 b. group insurance,
- 3 c. pure endowment,
- 4 d. annuity or reversionary annuity contract,
- 5 e. except as provided in paragraph 1 of subsection E D of
- 6 this section, term policy of uniform amount, which
- 7 provides no guaranteed nonforfeiture or endowment
- 8 benefits, or renewal thereof, of twenty (20) years or
- 9 less expiring before age seventy-one (71) years, for
- 10 which uniform premiums are payable during the entire
- 11 term of the policy,
- 12 f. except as provided in paragraph 1 of subsection E D of
- 13 this section, term policy of decreasing amount which
- 14 provides no guaranteed nonforfeiture or endowment
- 15 benefits, on which each adjusted premium, calculated
- 16 as specified in subsections F G, G H and H I of this
- 17 section, is less than the adjusted premium so
- 18 calculated on a term policy of uniform amount, or
- 19 renewal thereof, which provides no guaranteed
- 20 nonforfeiture or endowment benefits, issued at the
- 21 same age and for the same initial amount of insurance
- 22 for a term defined as follows: For ages at issue
- 23 fifty (50) years and under the term shall be twenty
- 24 (20) years. Thereafter the term shall decrease one

1 (1) year for each year of increase in the age at issue  
2 beyond age fifty (50) years; and

3 g. policy, which provides no guaranteed nonforfeiture or  
4 endowment benefits, for which no cash surrender value,  
5 if any, or present value of any paid-up nonforfeiture  
6 benefit at the beginning of any policy year,  
7 calculated as specified in subsections ~~C, E, F, G~~ and  
8 # D, F, G, H and I of this section, exceeds two and  
9 one-half percent (2 1/2%) of the amount of insurance  
10 at the beginning of the same policy year.

11 2. For purposes of determining the applicability of this act,  
12 the age at expiry for a joint term life insurance policy shall be  
13 the age at expiry of the oldest life.

14 SECTION 4. This act shall become effective November 1, 2014.

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