

INSURANCE CHANGES

2016 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: James A. Dunnigan

Senate Sponsor: Curtis S. Bramble

LONG TITLE

General Description:

This bill modifies the Insurance Code.

Highlighted Provisions:

This bill:

- ▶ addresses confidentiality of information obtained by the commissioner;
- ▶ defines terms;
- ▶ modifies provisions related to reserve valuation;
- ▶ addresses actuarial opinion of reserves;
- ▶ modifies computation of minimum standard under various circumstances;
- ▶ addresses minimum reserves;
- ▶ addresses the reserve calculation under various circumstances;
- ▶ modifies minimum standards for accident and health insurance;
- ▶ addresses adoption and use of a valuation manual;
- ▶ enacts requirements of principle-based valuation;
- ▶ enacts provisions related to experience reporting;
- ▶ addresses confidentiality of information;
- ▶ enacts a single state and small company exemption;
- ▶ modifies Standard Nonforfeiture Law for Life Insurance; and
- ▶ makes technical and conforming amendments.

Money Appropriated in this Bill:



28 None

29 **Other Special Clauses:**

30 None

31 **Utah Code Sections Affected:**

32 AMENDS:

33 **31A-16-109**, as last amended by Laws of Utah 2015, Chapter 244

34 **31A-17-501**, as enacted by Laws of Utah 1993, Chapter 305

35 **31A-17-502**, as enacted by Laws of Utah 1993, Chapter 305

36 **31A-17-503**, as last amended by Laws of Utah 2015, Chapter 258

37 **31A-17-504**, as last amended by Laws of Utah 2001, Chapter 116

38 **31A-17-505**, as last amended by Laws of Utah 2002, Chapter 308

39 **31A-17-506**, as last amended by Laws of Utah 2011, Chapter 297

40 **31A-17-507**, as last amended by Laws of Utah 2011, Chapter 297

41 **31A-17-509**, as last amended by Laws of Utah 2001, Chapter 116

42 **31A-17-510**, as last amended by Laws of Utah 2011, Chapter 297

43 **31A-17-511**, as enacted by Laws of Utah 1993, Chapter 305

44 **31A-22-408**, as last amended by Laws of Utah 2015, Chapter 258

45 ENACTS:

46 **31A-17-514**, Utah Code Annotated 1953

47 **31A-17-515**, Utah Code Annotated 1953

48 **31a-17-516**, Utah Code Annotated 1953

49 **31A-17-517**, Utah Code Annotated 1953

50 **31A-17-518**, Utah Code Annotated 1953

51 **31A-17-519**, Utah Code Annotated 1953

52 REPEALS AND REENACTS:

53 **31A-17-513**, as last amended by Laws of Utah 2001, Chapter 116



55 *Be it enacted by the Legislature of the state of Utah:*

56 Section 1. Section **31A-16-109** is amended to read:

57 **31A-16-109. Confidentiality of information obtained by commissioner.**

58 (1) Information, documents, and copies of these that are obtained by or disclosed to the

59 commissioner or any other person in the course of an examination or investigation made under
60 Section 31A-16-107.5, and all information reported under Section 31A-16-105, is confidential.
61 It is not subject to subpoena and may not be made public by the commissioner or any other
62 person without the permission of the insurer, except it may be provided to the insurance
63 departments of other states, without the prior written consent of the insurer to which it pertains.
64 [~~The confidentiality of this section does not apply if the commissioner, after giving the insurer
65 and its affiliates who would be affected by the disclosure, proper notice and an opportunity to
66 be heard, and determines that the interests of policyholders, shareholders, or the public will be
67 served by the publication of the information. In this situation, the commissioner may publish
68 all or any part of the information in any manner the commissioner considers appropriate.~~]

69 (2) The commissioner and any person who received documents, materials, or other
70 information while acting under the authority of the commissioner or with whom the
71 documents, materials, or other information are shared pursuant to this chapter shall keep
72 confidential any confidential documents, materials, or information subject to Subsection (1).

73 (3) (a) To assist in the performance of the commissioner's duties, the commissioner:

74 (i) may share documents, materials, or other information, including the confidential
75 documents, materials, or information subject to Subsection (1), with the following if the
76 recipient agrees in writing to maintain the confidentiality status of the document, material, or
77 other information, and has verified in writing the legal authority to maintain confidentiality:

78 (A) other state, federal, and international regulatory agencies;

79 (B) the National Association of Insurance Commissioners and its affiliates and
80 subsidiaries; and

81 (C) state, federal, and international law enforcement authorities, including members of
82 a supervisory college described in Section 31A-16-108.5;

83 (ii) notwithstanding Subsection (1), may only share confidential documents, material,
84 or information reported pursuant to Section 31A-16-105 with commissioners of states having
85 statutes or regulations substantially similar to Subsection (1) and who have agreed in writing
86 not to disclose the documents, material, or information;

87 (iii) may receive documents, materials, or information, including otherwise
88 confidential documents, materials, or information from the National Association of Insurance
89 Commissioners and its affiliates and subsidiaries and from regulatory and law enforcement

90 officials of other foreign or domestic jurisdictions, and shall maintain as confidential any
91 document, material, or information received with notice or the understanding that it is
92 confidential under the laws of the jurisdiction that is the source of the document, material, or
93 information; and

94 (iv) shall enter into written agreements with the National Association of Insurance
95 Commissioners governing sharing and use of information provided pursuant to this chapter
96 consistent with this Subsection (3) that shall:

97 (A) specify procedures and protocols regarding the confidentiality and security of
98 information shared with the National Association of Insurance Commissioners and its affiliates
99 and subsidiaries pursuant to this chapter, including procedures and protocols for sharing by the
100 National Association of Insurance Commissioners with other state, federal, or international
101 regulators;

102 (B) specify that ownership of information shared with the National Association of
103 Insurance Commissioners and its affiliates and subsidiaries pursuant to this chapter remains
104 with the commissioner and the National Association of Insurance Commissioner's use of the
105 information is subject to the direction of the commissioner;

106 (C) require prompt notice to be given to an insurer whose confidential information in
107 the possession of the National Association of Insurance Commissioners pursuant to this chapter
108 is subject to a request or subpoena to the National Association of Insurance Commissioners for
109 disclosure or production; and

110 (D) require the National Association of Insurance Commissioners and its affiliates and
111 subsidiaries to consent to intervention by an insurer in any judicial or administrative action in
112 which the National Association of Insurance Commissioners and its affiliates and subsidiaries
113 may be required to disclose confidential information about the insurer shared with the National
114 Association of Insurance Commissioners and its affiliates and subsidiaries pursuant to this
115 chapter.

116 (4) The sharing of information by the commissioner pursuant to this chapter does not
117 constitute a delegation of regulatory authority or rulemaking, and the commissioner is solely
118 responsible for the administration, execution, and enforcement of this chapter.

119 (5) A waiver of any applicable claim of confidentiality in the documents, materials, or
120 information does not occur as a result of disclosure to the commissioner under this section or

121 as a result of sharing as authorized in Subsection (3).

122 (6) Documents, materials, or other information in the possession or control of the
123 National Association of Insurance Commissioners pursuant to this chapter are:

124 (a) confidential, not public records, and not open to public inspection; and

125 (b) not subject to Title 63G, Chapter 2, Government Records Access and Management
126 Act.

127 Section 2. Section **31A-17-501** is amended to read:

128 **31A-17-501. Standard Valuation Law -- Definitions.**

129 (1) This part is known as the "Standard Valuation Law."

130 (2) As used in this part, the following definitions apply on or after the operative date of
131 the valuation manual:

132 (a) Notwithstanding Section 31A-1-301, "accident and health insurance" means a
133 contract that incorporates morbidity risk and provides protection against economic loss
134 resulting from accident, sickness, or medical conditions and as may be specified in the
135 valuation manual.

136 (b) "Appointed actuary" means a qualified actuary who is appointed in accordance with
137 the valuation manual to prepare the actuarial opinion required in Subsection 31A-17-503(2).

138 (c) "Company" means an entity that:

139 (i) has written, issued, or reinsured a life insurance contract, accident and health
140 insurance contract, or deposit-type contract in this state and has at least one such policy in force
141 or on claim; or

142 (ii) has written, issued, or reinsured a life insurance contract, accident and health
143 insurance contract, or deposit-type contract in any state and is required to hold a certificate of
144 authority to write life insurance, accident and health insurance, or deposit-type contracts in this
145 state.

146 (d) "Deposit-type contract" means a contract that does not incorporate mortality or
147 morbidity risks and as may be specified in the valuation manual.

148 (e) Notwithstanding Section 31A-1-301, "life insurance" means a contract that
149 incorporates mortality risk, including annuity and pure endowment contracts, and as may be
150 specified in the valuation manual.

151 (f) "Policyholder behavior" means an action that a policyholder, contract holder, or any

152 other person with the right to elect options, such as a certificate holder, may take under a policy
153 or contract subject to this part, including lapse, withdrawal, transfer, deposit, premium
154 payment, loan, annuitization, or benefit elections prescribed by the policy or contract, but
155 excluding events of mortality or morbidity that result in benefits prescribed in their essential
156 aspects by the terms of the policy or contract.

157 (g) "Principle-based valuation" means a reserve valuation that uses one or more
158 methods or one or more assumptions determined by the insurer and is required to comply with
159 Section 31A-17-515 as specified in the valuation manual.

160 (h) "Qualified actuary" means an individual who is qualified to sign the applicable
161 statement of actuarial opinion in accordance with the American Academy of Actuaries
162 qualification standards for actuaries signing the statements and who meets the requirements
163 specified in the valuation manual.

164 (i) "Tail risk" means a risk that occurs either when the frequency of low probability
165 events is higher than expected under a normal probability distribution or when there are
166 observed events of very significant size or magnitude.

167 (j) "Valuation manual" means the manual of valuation instructions adopted in
168 accordance with Section 31A-17-514.

169 Section 3. Section 31A-17-502 is amended to read:

170 **31A-17-502. Reserve valuation.**

171 (1) The following apply to a policy or contract issued before the operative date of the
172 valuation manual:

173 (a) The commissioner shall annually value, or cause to be valued, the reserve liabilities
174 [~~f~~], also called "reserves" in this part[~~g~~], for [~~all~~] outstanding life insurance policies and annuity
175 and pure endowment contracts, of every life insurance company doing business in this state,
176 [~~and may certify the amount of any such reserves, specifying the mortality table or tables, rate~~
177 ~~or rates of interest, and methods (net level premium method or other) used in the calculation of~~
178 ~~such reserves] issued before the operative date of the valuation manual. In calculating [~~such~~]
179 the reserves, [he] the commissioner may use group methods and approximate averages for
180 fractions of a year or otherwise. In lieu of the valuation of the reserves required in this part of
181 any foreign or alien company, [he] the commissioner may accept any valuation made, or caused
182 to be made, by the insurance supervisory official of any state or other jurisdiction when such~~

183 valuation complies with the minimum standard provided in this part~~[, and if the official of such~~
184 ~~state or jurisdiction accepts as sufficient and for all valid legal purposes the certificate of~~
185 ~~valuation of the commissioner when such certificate states the valuation to have been made in a~~
186 ~~specified manner according to which the aggregate reserves would be at least as large as if they~~
187 ~~had been computed in the manner prescribed by the law of that state or jurisdiction].~~

188 (b) (i) Sections 31A-17-504, 31A-17-505, 31A-17-506, 31A-17-507, 31A-17-508,
189 31A-17-509, 31A-17-510, 31A-17-511, 31A-17-512, and 31A-17-513 apply to a policy or
190 contract, as appropriate, subject to this part issued before the operative date of the valuation
191 manual.

192 (ii) Sections 31A-17-514 and 31A-17-515 do not apply to a policy or contract
193 described in Subsection (1)(b)(i).

194 (2) The following apply to a policy or contract issued on or after the operative date of
195 the valuation manual:

196 (a) The commissioner shall annually value, or cause to be valued, the reserve liabilities,
197 also called "reserves" in this part, for an outstanding life insurance contract, annuity and pure
198 endowment contract, accident and health contract, and deposit-type contract of every company
199 issued on or after the operative date of the valuation manual. In lieu of the valuation of the
200 reserve liabilities required of a foreign or alien company, the commissioner may accept a
201 valuation made, or caused to be made, by the insurance supervisory official of any state or
202 other jurisdiction when the valuation complies with the minimum standard provided in this
203 part.

204 (b) Sections 31A-17-514 and 31A-17-515 apply to a policy or contract issued on or
205 after the operative date of the valuation manual.

206 Section 4. Section 31A-17-503 is amended to read:

207 **31A-17-503. Actuarial opinion of reserves.**

208 ~~[(1) This section becomes operative on December 31, 1993.]~~

209 ~~[(2) General: Every]~~ (1) (a) For an actuarial opinion before the operative date of the
210 valuation manual, a life insurance company doing business in this state shall annually submit
211 the opinion of a qualified actuary as to whether the reserves and related actuarial items held in
212 support of the policies and contracts specified by the commissioner by rule are computed
213 appropriately, are based on assumptions which satisfy contractual provisions, are consistent

214 with prior reported amounts, and comply with applicable laws of this state. The commissioner
215 by rule shall define the specifics of this opinion and add any other items considered to be
216 necessary to its scope.

217 ~~[(3) Actuarial]~~ (b) The following apply to the actuarial analysis of reserves and assets
218 supporting reserves:

219 ~~[(a) Every]~~ (i) A life insurance company, except as exempted by or pursuant to rule,
220 shall also annually include in the opinion required by Subsection ~~[(2)]~~ (1)(a), an opinion of the
221 same qualified actuary as to whether the reserves and related actuarial items held in support of
222 the policies and contracts specified by the commissioner by rule, when considered in light of
223 the assets held by the company with respect to the reserves and related actuarial items,
224 including the investment earnings on the assets and the considerations anticipated to be
225 received and retained under the policies and contracts, make adequate provision for the
226 company's obligations under the policies and contracts, including the benefits under the
227 expenses associated with the policies and contracts.

228 ~~[(b)]~~ (ii) The commissioner may provide by rule for a transition period for establishing
229 any higher reserves which the qualified actuary may consider necessary in order to render the
230 opinion required by this section.

231 ~~[(4) Requirement for opinion under Subsection (3): Each]~~

232 (c) An opinion required by Subsection ~~[(3)]~~ (1)(b) shall be governed by the following
233 provisions:

234 ~~[(a)]~~ (i) A memorandum, in form and substance acceptable to the commissioner as
235 specified by rule, shall be prepared to support each actuarial opinion.

236 ~~[(b)]~~ (ii) If the insurance company fails to provide a supporting memorandum at the
237 request of the commissioner within a period specified by rule or the commissioner determines
238 that the supporting memorandum provided by the insurance company fails to meet the
239 standards prescribed by the rule or is otherwise unacceptable to the commissioner, the
240 commissioner may engage a qualified actuary at the expense of the company to review the
241 opinion and the basis for the opinion and prepare such supporting memorandum as is required
242 by the commissioner.

243 ~~[(5) Requirement for all opinions: Every]~~

244 (d) An opinion subject to this Subsection (1) shall be governed by the following

245 provisions:

246 ~~[(a)]~~ (i) The opinion shall be submitted with the annual statement reflecting the
247 valuation of the reserve liabilities for each year ending on or after December 31, 1993.

248 ~~[(b)]~~ (ii) The opinion shall apply to ~~[(a)]~~ the business in force including individual and
249 group health insurance plans, in form and substance acceptable to the commissioner as
250 specified by rule.

251 ~~[(c)]~~ (iii) The opinion shall be based on standards adopted from time to time by the
252 Actuarial Standards Board and on such additional standards as the commissioner may by rule
253 prescribe.

254 ~~[(d)]~~ (iv) In the case of an opinion required to be submitted by a foreign or alien
255 company, the commissioner may accept the opinion filed by that company with the insurance
256 supervisory official of another state if the commissioner determines that the opinion reasonably
257 meets the requirements applicable to a company domiciled in this state.

258 ~~[(e)]~~ (v) For the purposes of this section, "qualified actuary" means a member in good
259 standing of the American Academy of Actuaries who meets the requirements set forth by
260 department rule.

261 ~~[(f)]~~ (vi) Except in cases of fraud or willful misconduct, the qualified actuary is not
262 liable for damages to any person, other than the insurance company and the commissioner, for
263 any act, error, omission, decision, or conduct with respect to the actuary's opinion.

264 ~~[(g)]~~ (vii) Disciplinary action by the commissioner against the company or the qualified
265 actuary shall be defined in rules by the commissioner consistent with Section 31A-2-308 and
266 Title 63G, Chapter 4, Administrative Procedures Act.

267 ~~[(h)]~~ (i) (viii) (A) Any memorandum in support of the opinion, and any other material
268 provided by the company to the commissioner in connection ~~[(h)]~~ with the opinion, are
269 considered protected records under Section 63G-2-305 and may not be made public and are not
270 subject to subpoena under Subsection 63G-2-202(7), other than for the purpose of defending an
271 action seeking damages from any person by reason of any action required by this section or
272 rules ~~[(h)]~~ made under this section.

273 ~~[(i)]~~ (B) However, the memorandum or other material may otherwise be released by
274 the commissioner~~[(A)]~~ with the written consent of the company~~[(A)]~~, or ~~[(B)]~~ to the American
275 Academy of Actuaries upon request stating that the memorandum or other material is required

276 for the purpose of professional disciplinary proceedings and setting forth procedures
277 satisfactory to the commissioner for preserving the confidentiality of the memorandum or other
278 material.

279 [(iii)] (C) Once any portion of the confidential memorandum is cited in its marketing
280 or is cited before any governmental agency other than the department or is released to the news
281 media, all portions of the memorandum are no longer confidential.

282 (2) The following apply to an actuarial opinion of reserves after the operative date of
283 the valuation manual:

284 (a) A company with an outstanding life insurance contract, accident and health
285 insurance contract, or deposit-type contract in this state and subject to rule made by the
286 commissioner shall annually submit the opinion of the appointed actuary as to whether the
287 reserves and related actuarial items held in support of the policies and contracts are computed
288 appropriately, are based on assumptions that satisfy contractual provisions, are consistent with
289 prior reported amounts, and comply with applicable laws of this state. The valuation manual
290 will prescribe the specifics of this opinion including any items considered to be necessary to its
291 scope.

292 (b) A company with an outstanding life insurance contract, accident and health
293 insurance contract, or deposit-type contract in this state and subject to rule made by the
294 commissioner, except as exempted in the valuation manual, shall also annually include in the
295 opinion required by Subsection (2)(a) an opinion of the same appointed actuary as to whether
296 the reserves and related actuarial items held in support of the policies and contracts specified in
297 the valuation manual, when considered in light of the assets held by the company with respect
298 to the reserves and related actuarial items, including the investment earnings on the assets and
299 the considerations anticipated to be received and retained under the policies and contracts,
300 make adequate provision for the company's obligations under the policies and contracts,
301 including the benefits under and expenses associated with the policies and contracts.

302 (c) An opinion required by Subsection (2)(b) shall be governed by the following
303 provisions:

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

306 (ii) If the insurance company fails to provide a supporting memorandum at the request

307 of the commissioner within a period specified in the valuation manual or the commissioner
308 determines that the supporting memorandum provided by the insurance company fails to meet
309 the standards prescribed by the valuation manual or is otherwise unacceptable to the
310 commissioner, the commissioner may engage a qualified actuary at the expense of the company
311 to review the opinion and the basis for the opinion and prepare the supporting memorandum
312 required by the commissioner.

313 (d) An opinion subject to this Subsection (2) shall be governed by the following
314 provisions:

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

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

320 (iii) The opinion shall apply to the policies and contracts subject to Subsection (2)(b),
321 plus other actuarial liabilities as may be specified in the valuation manual.

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

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

329 (vi) Except in cases of fraud or willful misconduct, the appointed actuary may not be
330 liable for damages to any person, other than the insurance company and the commissioner, for
331 any act, error, omission, decision, or conduct with respect to the appointed actuary's opinion.

332 (vii) Disciplinary action by the commissioner against the company or the appointed
333 actuary shall be defined in rules by the commissioner consistent with Section [31A-2-308](#) and
334 Title 63G, Chapter 4, Administrative Procedures Act.

335 Section 5. Section **31A-17-504** is amended to read:

336 **31A-17-504. Computation of minimum standard.**

337 Except as [otherwise] provided in Sections [31A-17-505](#), [31A-17-506](#), and [31A-17-513](#),

338 the minimum standard for the valuation of ~~[all]~~ the life insurance policies and annuity and pure
339 endowment contracts issued ~~[prior to]~~ before January 1, 1994, shall be that provided by the
340 laws in effect immediately ~~[prior to]~~ before that date. Except as otherwise provided in Sections
341 31A-17-505, 31A-17-506, and 31A-17-513, the minimum standard for the valuation of ~~[all]~~
342 such policies and contracts issued on or after January 1, 1994, shall be the commissioner's
343 reserve valuation methods defined in Sections 31A-17-507, 31A-17-508, 31A-17-511, and
344 31A-17-513, 3.5% interest, or in the case of life insurance policies and contracts, other than
345 annuity and pure endowment contracts, issued on or after June 1, 1973, 4% interest for such
346 policies issued ~~[prior to]~~ before April 2, 1980, 5.5% interest for single premium life insurance
347 policies, and 4.5% interest for all other such policies issued on and after April 2, 1980, and the
348 following tables:

349 (1) For ~~[all]~~ an ordinary ~~[policies]~~ policy of life insurance issued on the standard basis,
350 excluding any accident and health and accidental death benefits in ~~[such policies: the National~~
351 ~~Association of Insurance Commissioners]~~ the policy, the Commissioner's 1941 Standard
352 Ordinary Mortality Table for such policies issued ~~[prior to]~~ before the operative date of
353 Subsection 31A-22-408(6)(a) ~~[(that is, the Standard Nonforfeiture Law for Life Insurance)]~~, the
354 ~~[National Association of Insurance Commissioners]~~ Commissioner's 1958 Standard Ordinary
355 Mortality Table for such policies issued on or after the operative date of Subsection
356 31A-22-408(6)(a) and ~~[prior to]~~ before the operative date of Subsection 31A-22-408(6)(d),
357 provided that for any category of such policies issued on female risks, all modified net
358 premiums and present values referred to in this section may be calculated according to an age
359 not more than six years younger than the actual age of the insured~~;~~₂, and for such policies
360 issued on or after the operative date of Subsection 31A-22-408(6)(d):

361 (a) the ~~[National Association of Insurance Commissioners]~~ Commissioner's 1980
362 Standard Ordinary Mortality Table;

363 (b) at the election of the company for any one or more specified plans of life insurance,
364 the ~~[National Association of Insurance Commissioners]~~ Commissioner's 1980 Standard
365 Ordinary Mortality Table with Ten-Year Select Mortality Factors; or

366 (c) any ordinary mortality table, adopted after 1980 by the National Association of
367 Insurance Commissioners, that is approved by rule ~~[promulgated]~~ made by the commissioner
368 for use in determining the minimum standard of valuation for such policies.

369 (2) For ~~[all]~~ an industrial life insurance ~~[policies]~~ policy issued on the standard basis,
370 excluding any accident and health and accidental death benefits in ~~[such policies:]~~ the policy,
371 the 1941 Standard Industrial Mortality Table for ~~[such policies]~~ the policy issued ~~[prior to]~~
372 before the operative date of Subsection 31A-22-408(6)(c), and for such policies issued on or
373 after such operative date, the ~~[National Association of Insurance Commissioners]~~
374 Commissioner's 1961 Standard Industrial Mortality Table or any industrial mortality table,
375 adopted after 1980 by the National Association of Insurance Commissioners, that is approved
376 by rule ~~[promulgated]~~ made by the commissioner for use in determining the minimum standard
377 of valuation for such policies.

378 (3) For individual annuity and pure endowment contracts, excluding any disability and
379 accidental death benefits in such policies:

380 (a) the 1937 Standard Annuity Mortality Table;

381 (b) at the option of the company, the Annuity Mortality Table for 1949, Ultimate; or

382 (c) any modification of either of these tables approved by the commissioner.

383 (4) For group annuity and pure endowment contracts, excluding any accident and
384 health and accidental death benefits in such policies:

385 (a) the Group Annuity Mortality Table for 1951, any modification of such table
386 approved by the commissioner; or

387 (b) at the option of the company, any of the tables or modifications of tables specified
388 for individual annuity and pure endowment contracts.

389 (5) For total and permanent disability benefits in or supplementary to ordinary policies
390 or contracts:

391 (a) (i) for ~~[policies or contracts]~~ a policy or contract issued on or after January 1, 1966,
392 the tables of Period 2 disablement rates and the 1930 to 1950 termination rates of the 1952
393 Disability Study of the Society of Actuaries, with due regard to the type of benefit or any tables
394 of disablement rates and termination rates adopted after 1980 by the National Association of
395 Insurance Commissioners, that are approved by rule ~~[promulgated]~~ made by the commissioner
396 for use in determining the minimum standard of valuation for ~~[such policies]~~ the policy;

397 (ii) for ~~[policies or contracts]~~ a policy or contract issued on or after January 1, 1961,
398 and ~~[prior to]~~ before January 1, 1966, either such tables or, at the option of the company, the
399 Class (3) Disability Table (1926); and

400 (iii) for [~~policies~~] a policy issued [~~prior to~~] before January 1, 1961, the Class (3)
401 Disability Table (1926). [~~Any such~~]

402 (b) A table described in this Subsection (5) shall, for active lives, be combined with a
403 mortality table permitted for calculating the reserves for life insurance policies.

404 (6) For accidental death benefits in or supplementary to policies issued on or after
405 January 1, 1966, the 1959 Accidental Death Benefits Table or any accidental death benefits
406 table adopted after 1980 by the National Association of Insurance Commissioners, that is
407 approved by rule [~~promulgated~~] made by the commissioner for use in determining the
408 minimum standard of valuation for such policies, for policies issued on or after January 1,
409 1961, and [~~prior to~~] before January 1, 1966, either such table or, at the option of the company,
410 the Inter-Company Double Indemnity Mortality Table[;], and for policies issued [~~prior to~~]
411 before January 1, 1961, the Inter-Company Double Indemnity Mortality Table. Either table
412 shall be combined with a mortality table for calculating the reserves for life insurance policies.

413 (7) For group life insurance, life insurance issued on the substandard basis and other
414 special benefits: such tables as may be approved by the commissioner.

415 Section 6. Section 31A-17-505 is amended to read:

416 **31A-17-505. Computation of minimum standard for annuities.**

417 (1) Except as provided in Section 31A-17-506, the minimum standard [~~for the~~] of
418 valuation [~~of all~~] for individual annuity and pure endowment contracts issued on or after the
419 operative date of this section, as defined in Subsection (2), and for [~~all~~] annuities and pure
420 endowments purchased on or after such operative date under group annuity and pure
421 endowment contracts, shall be the commissioner's reserve valuation methods defined in
422 Sections 31A-17-507 and 31A-17-508 and the following tables and interest rates:

423 (a) for individual annuity and pure endowment contracts issued [~~prior to~~] before April
424 2, 1980, excluding any accident and health and accidental death benefits in the contracts:

425 (i) (A) the 1971 Individual Annuity Mortality Table; or

426 (B) any modification of the 1971 Individual Annuity Mortality Table approved by the
427 commissioner;

428 (ii) 6% interest for single premium immediate annuity contracts; and

429 (iii) 4% interest for all other individual annuity and pure endowment contracts;

430 (b) for individual single premium immediate annuity contracts issued on or after April

431 2, 1980, excluding any accident and health and accidental death benefits in the contracts:

432 (i) (A) any individual annuity mortality table that is approved by rule made by the
433 commissioner for use in determining the minimum standard of valuation for such contracts; or

434 (B) any modification of a table described in Subsection (1)(b)(i)(A) approved by the
435 commissioner; and

436 (ii) 7.5% interest;

437 (c) for individual annuity and pure endowment contracts issued on or after April 2,
438 1980, other than single premium immediate annuity contracts, excluding any accident and
439 health and accidental death benefits in the contracts:

440 (i) (A) any individual annuity mortality table that is approved by rule made by the
441 commissioner for use in determining the minimum standard of valuation for such contracts; or

442 (B) any modification of a table described in Subsection (1)(c)(i)(A) approved by the
443 commissioner;

444 (ii) 5.5% interest for single premium deferred annuity and pure endowment contracts;
445 and

446 (iii) 4.5% interest for all other such individual annuity and pure endowment contracts;

447 (d) for ~~[aH]~~ the annuities and pure endowments purchased ~~[prior to]~~ before April 2,
448 1980, under group annuity and pure endowment contracts, excluding any accident and health
449 and accidental death benefits purchased under the contracts:

450 (i) (A) the 1971 Group Annuity Mortality Table; or

451 (B) any modification of the 1971 Group Annuity Mortality Table approved by the
452 commissioner; and

453 (ii) 6.5% interest; and

454 (e) for ~~[aH]~~ the annuities and pure endowments purchased on or after April 2, 1980,
455 under group annuity and pure endowment contracts, excluding any accident and health and
456 accidental death benefits purchased under the contracts:

457 (i) (A) any group annuity mortality table that is approved by rule made by the
458 commissioner for use in determining the minimum standard of valuation for such annuities and
459 pure endowments; or

460 (B) any modification of a table described in Subsection (1)(e)(i)(A) approved by the
461 commissioner; and

462 (ii) 7.5% interest.

463 (2) (a) After June 1, 1973, any company may file with the commissioner a written
464 notice of its election to comply with this section after a specified date before January 1, 1979,
465 which shall be the operative date of this section for the company.

466 (b) If a company does not make an election under Subsection (2)(a), the operative date
467 of this section for the company shall be January 1, 1979.

468 Section 7. Section ~~31A-17-506~~ is amended to read:

469 **31A-17-506. Computation of minimum standard by calendar year of issue.**

470 (1) [~~Applicability of Section 31A-17-506:~~] The interest rates used in determining the
471 minimum standard for the valuation shall be the calendar year statutory valuation interest rates
472 as defined in this section for:

473 (a) [~~all~~] life insurance policies issued in a particular calendar year, on or after the
474 operative date of Subsection ~~31A-22-408(6)(d)~~;

475 (b) [~~all~~] individual annuity and pure endowment contracts issued in a particular
476 calendar year on or after January 1, 1982;

477 (c) [~~all~~] annuities and pure endowments purchased in a particular calendar year on or
478 after January 1, 1982, under group annuity and pure endowment contracts; and

479 (d) the net increase, if any, in a particular calendar year after January 1, 1982, in
480 amounts held under guaranteed interest contracts.

481 (2) Calendar year statutory valuation interest rates:

482 (a) The calendar year statutory valuation interest rates, "I," shall be determined as
483 follows and the results rounded to the nearer 1/4 of 1%:

484 (i) for life insurance:

485 $I = .03 + W(R1 - .03) + (W/2)(R2 - .09)$;

486 (ii) for single premium immediate annuities and for annuity benefits involving life
487 contingencies arising from other annuities with cash settlement options and from guaranteed
488 interest contracts with cash settlement options:

489 $I = .03 + W(R - .03)$,

490 where R1 is the lesser of R and .09,

491 R2 is the greater of R and .09,

492 R is the reference interest rate defined in Subsection (4), and

493 W is the weighting factor defined in this section;

494 (iii) for other annuities with cash settlement options and guaranteed interest contracts
495 with cash settlement options, valued on an issue year basis, except as stated in Subsection
496 (2)(a)(ii), the formula for life insurance stated in Subsection (2)(a)(i) shall apply to annuities
497 and guaranteed interest contracts with guarantee durations in excess of 10 years, and the
498 formula for single premium immediate annuities stated in Subsection (2)(a)(ii) shall apply to
499 annuities and guaranteed interest contracts with guarantee duration of 10 years or less;

500 (iv) for other annuities with no cash settlement options and for guaranteed interest
501 contracts with no cash settlement options, the formula for single premium immediate annuities
502 stated in Subsection (2)(a)(ii) shall apply; and

503 (v) for other annuities with cash settlement options and guaranteed interest contracts
504 with cash settlement options, valued on a change in fund basis, the formula for single premium
505 immediate annuities stated in Subsection (2)(a)(ii) shall apply.

506 (b) However, if the calendar year statutory valuation interest rate for any life insurance
507 policies issued in any calendar year determined without reference to this sentence differs from
508 the corresponding actual rate for similar policies issued in the immediately preceding calendar
509 year by less than one-half of 1% the calendar year statutory valuation interest rate for such life
510 insurance policies shall be equal to the corresponding actual rate for the immediately preceding
511 calendar year. For purposes of applying the immediately preceding sentence, the calendar year
512 statutory valuation interest rate for life insurance policies issued in a calendar year shall be
513 determined for 1980, using the reference interest rate defined in 1979, and shall be determined
514 for each subsequent calendar year regardless of when Subsection 31A-22-408(6)(d) becomes
515 operative.

516 (3) Weighting factors:

517 (a) The weighting factors referred to in the formulas stated in Subsection (2) are given
518 in the following tables:

519 (i) (A) Weighting factors for life insurance:

520	Guarantee Duration (Years)	Weighting Factors
521	10 or less:	.50
522	More than 10, but less than 20:	.45

523 More than 20: .35_

524 (B) For life insurance, the guarantee duration is the maximum number of years the life
525 insurance can remain in force on a basis guaranteed in the policy or under options to convert to
526 plans of life insurance with premium rates or nonforfeiture values or both which are guaranteed
527 in the original policy;

528 (ii) Weighting factor for single premium immediate annuities and for annuity benefits
529 involving life contingencies arising from other annuities with cash settlement options and
530 guaranteed interest contracts with cash settlement options: .80

531 (iii) Weighting factors for other annuities and for guaranteed interest contracts, except
532 as stated in Subsection (3)(a)(ii), shall be as specified in the tables in Subsections (3)(a)(iii)(A),
533 (B), and (C), according to the rules and definitions in Subsection (3)(b):

534 (A) For annuities and guaranteed interest contracts valued on an issue year basis:

535 Guarantee Duration (Years)	536 Weighting Factors for Plan Type		
	A	B	C
537 5 or less:	.80	.60	.50
538 More than 5, but not more than 10:	.75	.60	.50
539 More than 10, but not more than 20:	.65	.50	.45
540 More than 20:	.45	.35	.35

541 Plan Type

542	A	B	C
-----	---	---	---

543 (B) For annuities and guaranteed interest
544 contracts valued on a change in fund basis, the
545 factors shown in Subsection (3)(a)(iii)(A)
546 increased by:

547	.15	.25	.05
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548 Plan Type

549	A	B	C
-----	---	---	---

550 (C) For annuities and guaranteed interest
551 contracts valued on an issue year basis, other than

552 those with no cash settlement options, which do
 553 not guarantee interest on considerations received
 554 more than one year after issue or purchase and for
 555 annuities and guaranteed interest contracts valued
 556 on a change in fund basis which do not guarantee
 557 interest rates on considerations received more
 558 than 12 months beyond the valuation date, the
 559 factors shown in Subsection (3)(a)(iii)(A) or
 560 derived in Subsection (3)(a)(iii)(B) increased by: .05 .05 .05.

561 (b) (i) For other annuities with cash settlement options and guaranteed interest
 562 contracts with cash settlement options, the guarantee duration is the number of years for which
 563 the contract guarantees interest rates in excess of the calendar year statutory valuation interest
 564 rate for life insurance policies with guarantee duration in excess of 20 years. For other
 565 annuities with no cash settlement options and for guaranteed interest contracts with no cash
 566 settlement options, the guaranteed duration is the number of years from the date of issue or date
 567 of purchase to the date annuity benefits are scheduled to commence.

568 (ii) Plan type as used in the [~~above~~] tables in this Subsection (3) is defined as follows:

569 (A) Plan Type A: At any time policyholder may withdraw funds only:

570 (I) with an adjustment to reflect changes in interest rates or asset values since receipt of
 571 the funds by the insurance company;

572 (II) without such adjustment but in installments over five years or more;

573 (III) as an immediate life annuity; or

574 (IV) no withdrawal permitted.

575 (B) (I) Plan Type B: Before expiration of the interest rate guarantee, policyholder
 576 withdraw funds only:

577 (Aa) with an adjustment to reflect changes in interest rates or asset values since receipt
 578 of the funds by the insurance company;

579 (Bb) without such adjustment but in installments over five years or more; or

580 (Cc) no withdrawal permitted.

581 (II) At the end of interest rate guarantee, funds may be withdrawn without such
 582 adjustment in a single sum or installments over less than five years.

583 (C) Plan Type C: Policyholder may withdraw funds before expiration of interest rate
584 guarantee in a single sum or installments over less than five years either:

585 (I) without adjustment to reflect changes in interest rates or asset values since receipt of
586 the funds by the insurance company; or

587 (II) subject only to a fixed surrender charge stipulated in the contract as a percentage of
588 the fund.

589 (iii) A company may elect to value guaranteed interest contracts with cash settlement
590 options and annuities with cash settlement options on either an issue year basis or on a change
591 in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities
592 with no cash settlement options shall be valued on an issue year basis. As used in this section,
593 an issue year basis of valuation refers to a valuation basis under which the interest rate used to
594 determine the minimum valuation standard for the entire duration of the annuity or guaranteed
595 interest contract is the calendar year valuation interest rate for the year of issue or year of
596 purchase of the annuity or guaranteed interest contract, and the change in fund basis of
597 valuation refers to a valuation basis under which the interest rate used to determine the
598 minimum valuation standard applicable to each change in the fund held under the annuity or
599 guaranteed interest contract is the calendar year valuation interest rate for the year of the
600 change in the fund.

601 (4) Reference interest rate: "Reference interest rate" referred to in Subsection (2)(a) is
602 defined as follows:

603 (a) For [aH] life insurance, the lesser of the average over a period of 36 months and the
604 average over a period of 12 months, ending on June 30 of the calendar year next preceding the
605 year of issue, of the Monthly Average of the composite Yield on Seasoned Corporate Bonds, as
606 published by Moody's Investors Service, Inc.

607 (b) For single premium immediate annuities and for annuity benefits involving life
608 contingencies arising from other annuities with cash settlement options and guaranteed interest
609 contracts with cash settlement options, the average over a period of 12 months, ending on June
610 30 of the calendar year of issue or year of purchase, of the Monthly Average of the Composite
611 Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.

612 (c) For other annuities with cash settlement options and guaranteed interest contracts
613 with cash settlement options, valued on a year of issue basis, except as stated in Subsection

614 (4)(b), with guarantee duration in excess of 10 years, the lesser of the average over a period of
615 36 months and the average over a period of 12 months, ending on June 30 of the calendar year
616 of issue or purchase, of the Monthly Average of the Composite Yield on Seasoned Corporate
617 Bonds, as published by Moody's Investors Service, Inc.

618 (d) For other annuities with cash settlement options and guaranteed interest contracts
619 with cash settlement options, valued on a year of issue basis, except as stated in Subsection
620 (4)(b), with guarantee duration of 10 years or less, the average over a period of 12 months,
621 ending on June 30 of the calendar year of issue or purchase, of the Monthly Average of the
622 Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service,
623 Inc.

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

628 (f) For other annuities with cash settlement options and guaranteed interest contracts
629 with cash settlement options, valued on a change in fund basis, except as stated in Subsection
630 (4)(b), the average over a period of 12 months, ending on June 30 of the calendar year of the
631 change in the fund, of the Monthly Average of the Composite Yield on Seasoned Corporate
632 Bonds, as published by Moody's Investors Service, Inc.

633 (5) Alternative method for determining reference interest rates: In the event that the
634 Monthly Average of the Composite Yield on Seasoned Corporate Bonds is no longer published
635 by Moody's Investors Service, Inc. or in the event that the National Association of Insurance
636 Commissioners determines that the Monthly Average of the Composite Yield on Seasoned
637 Corporate Bonds as published by Moody's Investors Service, Inc. is no longer appropriate for
638 the determination of the reference interest rate, then an alternative method for determination of
639 the reference interest rate, which is adopted by the National Association of Insurance
640 Commissioners and approved by rule [~~promulgated~~] made by the commissioner, may be
641 substituted.

642 Section 8. Section **31A-17-507** is amended to read:

643 **31A-17-507. Reserve valuation method -- Life insurance and endowment benefits.**

644 (1) Except as otherwise provided in Sections **31A-17-508**, **31A-17-511**, and

645 31A-17-513, reserves according to the commissioner's reserve valuation method, for the life
646 insurance and endowment benefits of policies providing for a uniform amount of insurance and
647 requiring the payment of uniform premiums shall be the excess, if any, of the present value, at
648 the date of valuation, of such future guaranteed benefits provided for by such policies, over the
649 then present value of any future modified net premiums therefor. The modified net premiums
650 for any such policy shall be such uniform percentage of the respective contract premiums for
651 such benefits that the present value, at the date of issue of the policy, of all such modified net
652 premiums shall be equal to the sum of the then present value of such benefits provided for by
653 the policy and the excess of Subsection (1)(a) over Subsection (1)(b), as follows:

654 (a) A net level annual premium equal to the present value, at the date of issue, of such
655 benefits provided for after the first policy year, divided by the present value, at the date of
656 issue, of an annuity of one per annum payable on the first and each subsequent anniversary of
657 such policy on which a premium falls due; provided, however, that such net level annual
658 premium may not exceed the net level annual premium on the 19 year premium whole life plan
659 for insurance of the same amount at an age one year higher than the age at issue of such policy.

660 (b) A net one year term premium for such benefits provided for in the first policy year.

661 (2) (a) Provided that for any life insurance policy issued on or after January 1, 1997, for
662 which the contract premium in the first policy year exceeds that of the second year and for
663 which no comparable additional benefit is provided in the first year for such excess and which
664 provides an endowment benefit or a cash surrender value or a combination thereof in an
665 amount greater than such excess premium, the reserve according to the commissioner's reserve
666 valuation method as of any policy anniversary occurring on or before the assumed ending date
667 defined [herein] in this Subsection (2) as the first policy anniversary on which the sum of any
668 endowment benefit and any cash surrender value then available is greater than such excess
669 premium shall, except as otherwise provided in Section 31A-17-511, be the greater of the
670 reserve as of such policy anniversary calculated as described in Subsection (1) and the reserve
671 as of such policy anniversary calculated as described in that subsection, but with:

672 ~~[(a)]~~ (i) the value defined in Subsection (1)(a) being reduced by 15% of the amount of
673 such excess first year premium;

674 ~~[(b) all]~~ (ii) the present values of benefits and premiums being determined without
675 reference to premiums or benefits provided for by the policy after the assumed ending date;

676 ~~[(e)]~~ (iii) the policy being assumed to mature on such date as an endowment; and
677 ~~[(d)]~~ (iv) the cash surrender value provided on such date being considered as an
678 endowment benefit.

679 (b) In making the ~~[above]~~ comparison described in Subsection (2)(a), the mortality and
680 interest bases stated in Sections 31A-17-504 and 31A-17-506 shall be used.

681 (3) Reserves according to the commissioner's reserve valuation method for:

682 (a) life insurance policies providing for a varying amount of insurance or requiring the
683 payment of varying premiums;

684 (b) group annuity and pure endowment contracts purchased under a retirement plan or
685 plan of deferred compensation, established or maintained by an employer, including a
686 partnership or sole proprietorship, or by an employee organization, or by both, other than a plan
687 providing individual retirement accounts or individual retirement annuities under Section 408,
688 Internal Revenue Code;

689 (c) accident and health and accidental death benefits in all policies and contracts; and

690 (d) ~~[aH]~~ other benefits, except life insurance and endowment benefits in life insurance
691 policies and benefits provided by ~~[aH]~~ other annuity and pure endowment contracts, shall be
692 calculated by a method consistent with the principles of Subsections (1) and (2).

693 Section 9. Section 31A-17-509 is amended to read:

694 **31A-17-509. Minimum reserves.**

695 (1) In no event shall a company's aggregate reserves for ~~[aH]~~ life insurance policies,
696 excluding accident and health and accidental death benefits, issued on or after January 1, 1994,
697 be less than the aggregate reserves calculated in accordance with the methods set forth in
698 Sections 31A-17-507, 31A-17-508, 31A-17-511, and 31A-17-512 and the mortality table or
699 tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

700 (2) In no event shall the aggregate reserves for ~~[aH]~~ policies, contracts, and benefits be
701 less than the aggregate reserves determined by the ~~[qualified]~~ appointed actuary to be necessary
702 to render the opinion required by Section 31A-17-503.

703 Section 10. Section 31A-17-510 is amended to read:

704 **31A-17-510. Optional reserve calculation.**

705 (1) Reserves for ~~[aH]~~ policies and contracts issued ~~[prior to]~~ before January 1, 1994,
706 may be calculated, at the option of the company, according to any standards which produce

707 greater aggregate reserves for ~~all~~ such policies and contracts than the minimum reserves
708 required by the laws in effect immediately ~~prior to~~ before that date. Reserves for any
709 category of policies, contracts, or benefits as established by the commissioner, issued on or
710 after January 1, 1994, may be calculated, at the option of the company, according to any
711 standards which produce greater aggregate reserves for such category than those calculated
712 according to the minimum standard ~~herein~~ provided in this part, but the rate or rates of
713 interest used for policies and contracts, other than annuity and pure endowment contracts, may
714 not be ~~higher~~ greater than the corresponding rate or rates of interest used in calculating any
715 nonforfeiture benefits provided ~~therein~~ in the policy or contract.

716 (2) Any such company which at any time shall have adopted any standard of valuation
717 producing greater aggregate reserves than those calculated according to the minimum standard
718 ~~herein~~ provided in this part may, with the approval of the commissioner, adopt any lower
719 standard of valuation, but not lower than the minimum ~~herein~~ provided ~~[, provided, however,]~~
720 in this part, except that, for the purposes of this section, the holding of additional reserves
721 previously determined by ~~a qualified~~ the appointed actuary to be necessary to render the
722 opinion required by Section ~~31A-17-502~~ 31A-17-503 may not be considered to be the
723 adoption of a higher standard of valuation.

724 Section 11. Section **31A-17-511** is amended to read:

725 **31A-17-511. Reserve calculation -- Valuation net premium exceeding the gross**
726 **premium charged.**

727 (1) If in any contract year the gross premium charged by any ~~life insurance~~ company
728 on any policy or contract is less than the valuation net premium for the policy or contract
729 calculated by the method used in calculating the reserve thereon but using the minimum
730 valuation standards of mortality and rate of interest, the minimum reserve required for such
731 policy or contract shall be the greater of either the reserve calculated according to the mortality
732 table, rate of interest, and method actually used for such policy or contract, or the reserve
733 calculated by the method actually used for such policy or contract but using the minimum
734 valuation standards of mortality and rate of interest and replacing the valuation net premium by
735 the actual gross premium in each contract year for which the valuation net premium exceeds
736 the actual gross premium. The minimum valuation standards of mortality and rate of interest
737 referred to in this section are those standards stated in Sections 31A-17-504 and 31A-17-506.

738 (2) Provided that for any life insurance policy issued on or after January 1, 1997, for
739 which the gross premium in the first policy year exceeds that of the second year and for which
740 no comparable additional benefit is provided in the first year for such excess and which
741 provides an endowment benefit or a cash surrender value or a combination ~~[thereof]~~ of an
742 endowment benefit and cash surrender value in an amount greater than such excess premium,
743 ~~[the foregoing provisions of]~~ this section shall be applied as if the method actually used in
744 calculating the reserve for such policy were the method described in Section 31A-17-507,
745 ignoring Subsection 31A-17-507(2). The minimum reserve at each policy anniversary of such a
746 policy shall be the greater of the minimum reserve calculated in accordance with Section
747 31A-17-507, including Subsection 31A-17-507(2), and the minimum reserve calculated in
748 accordance with this section.

749 Section 12. Section 31A-17-513 is repealed and reenacted to read:

750 **31A-17-513. Minimum standards for accident and health insurance contracts.**

751 (1) For an accident and health insurance contract issued before the operative date of the
752 valuation manual, the minimum standard of valuation is the standard adopted by the
753 commissioner by rule.

754 (2) For an accident and health insurance contract issued on or after the operative date
755 of the valuation manual, the standard prescribed in the valuation manual is the minimum
756 standard of valuation required under Subsection 31A-17-502(2).

757 Section 13. Section 31A-17-514 is enacted to read:

758 **31A-17-514. Valuation manual for policies issued on or after the operative date of**
759 **the valuation manual.**

760 (1) For a policy issued on or after the operative date of the valuation manual, the
761 standard prescribed in the valuation manual is the minimum standard of valuation required
762 under Subsection 31A-17-502(2), except as provided under Subsection (5) or (6).

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

765 (a) the valuation manual is adopted by the National Association of Insurance
766 Commissioners by an affirmative vote of at least 42 members, or three-fourths of the members
767 voting, whichever is greater;

768 (b) the Standard Valuation Law, as amended by the National Association of Insurance

769 Commissioners in 2009, or legislation including substantially similar terms and provisions, has
770 been enacted by states representing greater than 75% of the direct premiums written as reported
771 in the following annual statements submitted for 2008:

- 772 (i) life;
- 773 (ii) accident and health annual statements;
- 774 (iii) health annual statements; or
- 775 (iv) fraternal annual statements; and
- 776 (c) the Standard Valuation Law, as amended by the National Association of Insurance

777 Commissioners in 2009, or legislation including substantially similar terms and provisions, has
778 been enacted by at least 42 of the following 55 jurisdictions:

- 779 (i) the 50 states of the United States;
- 780 (ii) American Samoa;
- 781 (iii) the American Virgin Islands;
- 782 (iv) the District of Columbia;
- 783 (v) Guam; and
- 784 (vi) Puerto Rico.

785 (3) Unless a change in the valuation manual specifies a later effective date, changes to
786 the valuation manual shall be effective on January 1 following the date when the change to the
787 valuation manual has been adopted by the National Association of Insurance Commissioners
788 by an affirmative vote representing:

- 789 (a) at least three-fourths of the members of the National Association of Insurance
790 Commissioners voting, but not less than a majority of the total membership; and
- 791 (b) members of the National Association of Insurance Commissioners representing
792 jurisdictions totaling greater than 75% of the direct premiums written as reported in the
793 following annual statements most recently available before the vote in Subsection (3)(a):

- 794 (i) life;
- 795 (ii) accident and health annual statements;
- 796 (iii) health annual statements; or
- 797 (iv) fraternal annual statements.

798 (4) The valuation manual shall specify all of the following:

- 799 (a) minimum valuation standards for and definitions of a policy or contract subject to

800 Subsection 31A-17-502(2), except such minimum valuation standards shall be:

801 (i) the commissioner's reserve valuation method for life insurance contracts, other than
802 annuity contracts, subject to Subsection 31A-17-502(2);

803 (ii) the commissioner's annuity reserve valuation method for annuity contracts subject
804 to Subsection 31A-17-502(2); and

805 (iii) minimum reserves for other policies or contracts subject to Subsection
806 31A-17-502(2);

807 (b) which policies or contracts or types of policies or contracts are subject to the
808 requirements of a principle-based valuation in Subsection 31A-17-515(1) and the minimum
809 valuation standards consistent with those requirements;

810 (c) for policies and contracts subject to a principle-based valuation under Section
811 31A-17-515:

812 (i) requirements for the format of reports to the commissioner under Subsection
813 31A-17-515(2)(c), which shall include information necessary to determine if the valuation is
814 appropriate in compliance with this part;

815 (ii) prescribed assumptions for risks over which the company does not have significant
816 control; and

817 (iii) procedures for corporate governance and oversight of the actuarial function, and a
818 process for appropriate waiver or modification of such procedures;

819 (d) for policies not subject to a principle-based valuation under Section 31A-17-515
820 the minimum valuation standard shall either:

821 (i) be consistent with the minimum standard of valuation before the operative date of
822 the valuation manual; or

823 (ii) develop reserves that quantify the benefits and guarantees, and the funding,
824 associated with the contracts and their risks at a level of conservatism that reflects conditions
825 that include unfavorable events that have a reasonable probability of occurring;

826 (e) other requirements, including those relating to reserve methods, models for
827 measuring risk, generation of economic scenarios, assumptions, margins, use of company
828 experience, risk measurement, disclosure, certifications, reports, actuarial opinions and
829 memorandums, transition rules, and internal controls; and

830 (f) the data and form of the data required under Section 31A-17-516, with whom the

831 data must be submitted, and may specify other requirements including data analyses and
832 reporting of analyses.

833 (5) In the absence of a specific valuation requirement or if a specific valuation
834 requirement in the valuation manual is not, in the opinion of the commissioner, in compliance
835 with this part, then the company shall, with respect to the requirement, comply with minimum
836 valuation standards prescribed by the commissioner by rule.

837 (6) The commissioner may engage a qualified actuary, at the expense of the company,
838 to perform an actuarial examination of the company and opine on the appropriateness of any
839 reserve assumption or method used by the company, or to review and opine on a company's
840 compliance with any requirement set forth in this part. The commissioner may rely upon the
841 opinion, regarding provisions contained within this part, of a qualified actuary engaged by the
842 commissioner of another state, district, or territory of the United States. As used in this
843 Subsection (6), "engage" includes employment and contracting.

844 (7) The commissioner may require a company to change any assumption or method
845 that in the opinion of the commissioner is necessary in order to comply with the requirements
846 of the valuation manual or this part, and the company shall adjust the reserves as required by
847 the commissioner. The commissioner may take other disciplinary action as permitted pursuant
848 to Section [31A-2-308](#) and Title 63G, Chapter 4, Administrative Procedures Act.

849 Section 14. Section **31A-17-515** is enacted to read:

850 **31A-17-515. Requirements of a principle-based valuation.**

851 (1) A company shall establish reserves using a principle-based valuation that meets the
852 following conditions for a policy or contract as specified in the valuation manual:

853 (a) A company shall quantify the benefits and guarantees, and the funding, associated
854 with the policy or contract and the policy's or contract's risks at a level of conservatism that
855 reflects:

856 (i) conditions that include unfavorable events that have a reasonable probability of
857 occurring during the lifetime of the policies or contracts; and

858 (ii) for polices or contracts with significant tail risk, conditions appropriately adverse to
859 quantify the tail risk.

860 (b) The company shall incorporate assumptions, risk analysis methods, and financial
861 models and management techniques that are consistent with, but not necessarily identical to,

862 those used within the company's overall risk assessment process, while recognizing potential
863 differences in financial reporting structures and any prescribed assumptions or methods.

864 (c) The company shall incorporate assumptions that are derived in one of the following
865 manners:

866 (i) the assumption is prescribed in the valuation manual; and

867 (ii) for assumptions that are not prescribed, the assumptions shall:

868 (A) be established using the company's available experience, to the extent it is relevant
869 and statistically credible; or

870 (B) to the extent that company data is not available, relevant, or statistically credible,
871 be established using other relevant, statistically credible experience.

872 (d) The company shall provide margins for uncertainty including adverse deviation and
873 estimation error, such that the greater the uncertainty the larger the margin and resulting
874 reserve.

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

877 (a) establish procedures for corporate governance and oversight of the actuarial
878 valuation function consistent with those described in the valuation manual;

879 (b) provide to the commissioner and the board of directors an annual certification of
880 the effectiveness of the internal controls with respect to the principle-based valuation:

881 (i) which controls shall be designed to assure that all material risks inherent in the
882 liabilities and associated assets subject to such valuation are included in the valuation, and that
883 valuations are made in accordance with the valuation manual; and

884 (ii) the certification shall be based on the controls in place as of the end of the
885 preceding calendar year; and

886 (c) develop, and file with the commissioner upon request, a principle-based valuation
887 report that complies with standards prescribed in the valuation manual.

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

889 Section 15. Section **31a-17-516** is enacted to read:

890 **31a-17-516. Experience reporting for policies in force on or after the operative**
891 **date of the valuation manual.**

892 A company shall submit mortality, morbidity, policyholder behavior, or expense

893 experience and other data as prescribed in the valuation manual.

894 Section 16. Section **31A-17-517** is enacted to read:

895 **31A-17-517. Confidentiality.**

896 (1) For purposes of this section, "confidential information" means:

897 (a) a memorandum in support of an opinion submitted under Section [31A-17-503](#) and
898 any other document, material, and other information, including working papers, and copies of a
899 document, material, and other information, created, produced, or obtained by or disclosed to
900 the commissioner or any other person in connection with the memorandum;

901 (b) a document, material, and other information, including working papers, and copies
902 of a document, material, and other information created, produced, or obtained by or disclosed
903 to the commissioner or any other person in the course of an examination made under
904 Subsection [31A-17-514\(6\)](#), except that if an examination report or other material prepared in
905 connection with an examination made under Sections [31A-2-203](#) through [31A-2-205](#) is not
906 held as private and confidential information under Sections [31A-2-203](#) through [31A-2-205](#), an
907 examination report or other material prepared in connection with an examination made under
908 Subsection [31A-17-514\(6\)](#) may not be confidential information to the same extent as if the
909 examination report or other material had been prepared under Sections [31A-2-203](#) through
910 [31A-2-205](#);

911 (c) a report, document, material, or other information developed by a company in
912 support of, or in connection with, an annual certification by the company under Subsection
913 [31A-17-515\(2\)\(b\)](#) evaluating the effectiveness of the company's internal controls with respect
914 to a principle-based valuation and any other document, material, and other information,
915 including working papers, and copies of the document, material, and other information,
916 created, produced, or obtained by or disclosed to the commissioner or any other person in
917 connection with such reports, documents, materials, and other information;

918 (d) any principle-based valuation report developed under Subsection [31A-17-515\(2\)\(c\)](#)
919 and any other document, material, and other information, including working papers, and copies
920 of the document, material, and other information, created, produced, or obtained by or
921 disclosed to the commissioner or any other person in connection with such report; and

922 (e) any document, material, data, and other information submitted by a company under
923 Section [31A-17-516](#), collectively, "experience data," and any other document, material, data, or

924 other information, including working papers, and copies of the document, material, data, and
925 information created or produced in connection with such experience data, in each case that
926 include any potentially company-identifying or personally identifiable information, that is
927 provided to or obtained by the commissioner, together with any "experience data," the
928 "experience materials," and any other document, material, data, and other information,
929 including working papers, and copies of the document, material, data, and other information
930 created, produced, or obtained by or disclosed to the commissioner or any other person in
931 connection with such experience materials.

932 (2) (a) Except as provided in this section, a company's confidential information is
933 confidential, not public records, not open to public inspection, and not subject to Title 63G,
934 Chapter 2, Government Records Access and Management Act.

935 (b) The commissioner is authorized to use the confidential information in the
936 furtherance of any regulatory or legal action brought against the company as a part of the
937 commissioner's official duties.

938 (c) In order to assist in the performance of the commissioner's duties, the commissioner
939 may share confidential information:

940 (i) with other state, federal, and international regulatory agencies and with the National
941 Association of Insurance Commissioners and its affiliates and subsidiaries;

942 (ii) in the case of confidential information specified in Subsections (1)(a) and (1)(d)
943 only, with the Actuarial Board for Counseling and Discipline or its successor, upon request,
944 stating that the confidential information is required for the purpose of professional disciplinary
945 proceedings and with state, federal, and international law enforcement officials; and

946 (iii) in the case of Subsections (2)(c)(i) and (ii), provided that the recipient agrees, and
947 has the legal authority to agree, to maintain the confidentiality of a document, material, data,
948 and other information in the same manner and to the same extent as required for the
949 commissioner.

950 (d) The commissioner may receive a document, material, data, and other information,
951 including an otherwise confidential document, material, data, or information, from the National
952 Association of Insurance Commissioners and its affiliates and subsidiaries, from regulatory or
953 law enforcement officials of other foreign or domestic jurisdictions and from the Actuarial
954 Board for Counseling and Discipline or its successor and shall maintain as confidential any

955 document, material, data, or other information received with notice or the understanding that it
956 is confidential or privileged under the laws of the jurisdiction that is the source of the
957 document, material, or other information.

958 (e) The commissioner may enter into agreements governing sharing and use of
959 information consistent with this Subsection (2).

960 (f) No waiver of an applicable privilege or claim of confidentiality in the confidential
961 information shall occur as a result of disclosure to the commissioner under this section or as a
962 result of sharing as authorized in Subsection (2)(c).

963 (g) A privilege established under the law of any state or jurisdiction that is substantially
964 similar to the confidentiality established under this Subsection (2) shall be available and
965 enforced in any proceeding in, and in any court of, this state.

966 (h) In this section "regulatory agency," "law enforcement agency," and the "National
967 Association of Insurance Commissioners" include their employees, agents, consultants, and
968 contractors.

969 (3) Notwithstanding Subsection (2), confidential information specified in Subsections
970 (1)(a) and (1)(d):

971 (a) may be subject to subpoena for the purpose of defending an action seeking damages
972 from the appointed actuary who submitted the related memorandum in support of an opinion
973 submitted under Section 31A-17-503 or principle-based valuation report developed under
974 Subsection 31A-17-515(2)(c) by reason of an action required by this part or by rules made
975 under this part;

976 (b) may otherwise be released by the commissioner with the written consent of the
977 company; and

978 (c) once any portion of a memorandum in support of an opinion submitted under
979 Section 31A-17-503 or a principle-based valuation report developed under Subsection
980 31A-17-515(2)(c) is cited by the company in its marketing or is publicly volunteered to or
981 before a governmental agency other than a state insurance department or is released by the
982 company to the news media, all portions of the memorandum or report shall no longer be
983 confidential.

984 Section 17. Section 31A-17-518 is enacted to read:

985 **31A-17-518. Single state exemption.**

986 (1) The commissioner may exempt specific product forms or product lines of a
987 domestic company that is licensed and doing business only in Utah from the requirements of
988 Section 31A-17-514 provided:

989 (a) the commissioner has issued an exemption in writing to the company and has not
990 subsequently revoked the exemption in writing; and

991 (b) the company computes reserves using assumptions and methods used before the
992 operative date of the valuation manual in addition to any requirements established by the
993 commissioner and made by rule.

994 (2) For any company granted an exemption under this section, Sections 31A-17-503,
995 31A-17-504, 31A-17-505, 31A-17-506, 31A-17-507, 31A-17-508, 31A-17-509, 31A-17-510,
996 31A-17-511, 31A-17-512, and 31A-17-513 are applicable. With respect to any company
997 applying this exemption, any reference to Section 31A-17-514 found in Sections 31A-17-503,
998 31A-17-504, 31A-17-505, 31A-17-506, 31A-17-507, 31A-17-508, 31A-17-509, 31A-17-510,
999 31A-17-511, 31A-17-512, and 31A-17-513 is not applicable.

1000 Section 18. Section 31A-17-519 is enacted to read:

1001 **31A-17-519. Small company exemption.**

1002 (1) A company that is licensed and doing business in Utah, and whose reserves are
1003 computed subject to the requirements of Subsection 31A-17-502(2), may hold reserves for life
1004 insurance policies based on the mortality tables and interest rates defined by the valuation
1005 manual for net premium reserves and using the methodology defined in Sections 31A-17-507
1006 through 31A-17-512 as they apply to ordinary life insurance in lieu of the reserves required by
1007 Sections 31A-17-514 and 31A-17-515, provided that all of the following conditions have been
1008 met:

1009 (a) the company has less than \$300,000,000 of ordinary life premium;

1010 (b) if the company is a member of a group of life insurers, the group has combined
1011 ordinary life premiums of less than \$600,000,000;

1012 (c) the company reported total adjusted capital of at least 450% of Authorized Control
1013 Level Risk Based Capital in the risk-based capital report for the prior calendar year;

1014 (d) the appointed actuary has provided an unqualified opinion on the reserves in
1015 accordance with Subsection 31A-17-503(2) for the prior calendar year;

1016 (e) the company has provided a certification by a qualified actuary that any universal

1017 life policy with a secondary guarantee issued after the operative date of the valuation manual
1018 meets the definition of a non-material secondary guarantee universal life product as defined in
1019 the valuation manual;

1020 (f) the company has filed by July 1 of the calendar year for which valuation under
1021 Subsection 31A-17-502(2) is required a statement with its domiciliary commissioner certifying
1022 that these conditions are met and that the company intends to calculate reserves as described in
1023 this section; and

1024 (g) the company's domiciliary commissioner has not informed the company in writing
1025 before September 1 of the calendar year for which valuation under Subsection 31A-17-502(2)
1026 is required that the company must comply with the valuation manual requirements for life
1027 insurance reserves.

1028 (2) For purposes of Subsections (1)(a) and (b), ordinary life premiums are measured as
1029 direct premium plus reinsurance assumed from an unaffiliated company, as reported in the
1030 prior calendar year annual statement.

1031 Section 19. Section 31A-22-408 is amended to read:

1032 **31A-22-408. Standard Nonforfeiture Law for Life Insurance.**

1033 (1) (a) This section is known as the "Standard Nonforfeiture Law for Life Insurance."

1034 [†]

1035 (b) This section does not apply to group life insurance.

1036 (c) As used in this section, "operative date of the valuation manual" means the same as
1037 that term is described in Subsection 31A-17-514(2).

1038 (2) In the case of policies issued on or after July 1, 1961, no policy of life insurance,
1039 except as stated in Subsection (8), may be delivered or issued for delivery in this state unless it
1040 contains in substance the following provisions, or corresponding provisions which in the
1041 opinion of the commissioner are at least as favorable to the defaulting or surrendering
1042 policyholder as are the minimum requirements [hereinafter] specified in this section, and are
1043 essentially in compliance with Subsection (8):

1044 (a) That, in the event of default in any premium payment, after premiums have been
1045 paid for at least one full year the company will grant, upon proper request not later than 60 days
1046 after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated
1047 in the policy, effective as of such due date, of such amount as is specified in this section. In

1048 lieu of that stipulated paid-up nonforfeiture benefit, the company may substitute, upon proper
1049 request not later than 60 days after the due date of the premium in default, an actuarially
1050 equivalent alternative paid-up nonforfeiture benefit which provides a greater amount or longer
1051 period of death benefits or, if applicable, a greater amount or earlier payment of endowment
1052 benefits.

1053 (b) That, upon surrender of the policy within 60 days after the due date of any premium
1054 payment in default after premiums have been paid for at least three full years in the case of
1055 ordinary insurance or five full years in the case of industrial insurance, the company will pay,
1056 in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as is
1057 specified in this section.

1058 (c) That a specified paid-up nonforfeiture benefit shall become effective as specified in
1059 the policy unless the person entitled to make such election elects another available option not
1060 later than 60 days after the due date of the premium in default.

1061 (d) That, if the policy shall have been paid by the completion of all premium payments
1062 or if it is continued under any paid-up nonforfeiture benefit which became effective on or after
1063 the third policy anniversary in the case of ordinary insurance or the fifth policy anniversary in
1064 the case of industrial insurance, the company will pay upon surrender of the policy within 30
1065 days after any policy anniversary, a cash surrender value in the amount specified in this section.

1066 (e) In the case of policies which cause, on a basis guaranteed in the policy, unscheduled
1067 changes in benefits or premiums, or which provide an option for changes in benefits or
1068 premiums other than a change to a new policy, a statement of the mortality table, interest rate,
1069 and method used in calculating cash surrender values and the paid-up nonforfeiture benefits
1070 available under the policy. In the case of ~~all~~ other policies, a statement of the mortality table
1071 and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture
1072 benefit, if any, available under the policy on each policy anniversary either during the first 20
1073 policy years or during the term of the policy, whichever is shorter, such values and benefits to
1074 be calculated upon the assumption that there are no dividends or paid-up additions credited to
1075 the policy and that there is no indebtedness to the company on the policy.

1076 (f) A statement that the cash surrender values and the paid-up nonforfeiture benefits
1077 available under the policy are not less than the minimum values and benefits required by or
1078 pursuant to the insurance law of the state in which the policy is delivered; an explanation of the

1079 manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by
1080 the existence of any paid-up additions credited to the policy or any indebtedness to the
1081 company on the policy; if a detailed statement of the method of computation of the values and
1082 benefits shown in the policy is not stated [~~therein~~] in the policy, a statement that such method
1083 of computation has been filed with the insurance supervisory official of the state in which the
1084 policy is delivered; and a statement of the method to be used in calculating the cash surrender
1085 value and paid-up nonforfeiture benefit available under the policy on any policy anniversary
1086 beyond the last anniversary for which such values and benefits are consecutively shown in the
1087 policy.

1088 (g) Any of the foregoing provisions or portions thereof not applicable by reason of the
1089 plan of insurance may, to the extent inapplicable, be omitted from the policy.

1090 (h) The company shall reserve the right to defer the payment of any cash surrender
1091 value for a period of six months after demand therefor with surrender of the policy with the
1092 consent of the commissioner; provided, however, that the policy shall remain in full force and
1093 effect until the insurer has made the payment.

1094 (3) (a) Any cash surrender value available under the policy in the event of default in a
1095 premium payment due on any policy anniversary, whether or not required by Subsection (2),
1096 shall be an amount not less than the excess, if any, of the present value, on such anniversary, of
1097 the future guaranteed benefits which would have been provided for by the policy, including any
1098 existing paid-up additions, if there had been no default, over the sum of:

1099 (i) the then present value of the adjusted premiums as defined in Subsections (5) and
1100 (6), corresponding to premiums which would have fallen due on and after such anniversary;
1101 and

1102 (ii) the amount of any indebtedness to the company on the policy.

1103 (b) Provided, however, that for any policy issued on or after the operative date of
1104 Subsection (6)(d) as defined [~~therein~~] in Subsection (6)(d), which provides supplemental life
1105 insurance or annuity benefits at the option of the insured and for an identifiable additional
1106 premium by rider or supplemental policy provision, the cash surrender value referred to in
1107 Subsection (3)(a) shall be an amount not less than the sum of the cash surrender value as
1108 defined in Subsection (3)(a) for an otherwise similar policy issued at the same age without such
1109 rider or supplemental policy provision and the cash surrender value as defined in Subsection

1110 (3)(a) for a policy which provides only the benefits otherwise provided by such rider or
1111 supplemental policy provision.

1112 (c) Provided, further, that for any family policy issued on or after the operative date of
1113 Subsection (6)(d) as defined [~~therein~~] in Subsection (6)(d), which defines a primary insured
1114 and provides term insurance on the life of the spouse of the primary insured expiring before the
1115 spouse's age 71, the cash surrender value referred to in Subsection (3)(a) shall be an amount not
1116 less than the sum of the cash surrender value as defined in Subsection (3)(a) for an otherwise
1117 similar policy issued at the same age without such term insurance on the life of the spouse and
1118 the cash surrender value as defined in Subsection (3)(a) for a policy which provides only the
1119 benefits otherwise provided by such term insurance on the life of the spouse.

1120 (d) Any cash surrender value available within 30 days after any policy anniversary
1121 under any policy paid-up by completion of all premium payments or any policy continued
1122 under any paid-up nonforfeiture benefit, whether or not required by Subsection (2) shall be an
1123 amount not less than the present value, on such anniversary, of the future guaranteed benefits
1124 provided for by the policy, including any existing paid-up additions, decreased by any
1125 indebtedness to the company on the policy.

1126 (4) Any paid-up nonforfeiture benefit available under the policy in the event of default
1127 in a premium payment due on any policy anniversary shall be such that its present value as of
1128 such anniversary shall be at least equal to the cash surrender value then provided for by the
1129 policy or, if none is provided for, that cash surrender value which would have been required by
1130 this section in the absence of the condition that premiums shall have been paid for at least a
1131 specified period.

1132 (5) (a) (i) This Subsection (5) does not apply to policies issued on or after the operative
1133 date of Subsection (6)(d) as defined [~~therein~~] in Subsection (6)(d).

1134 (ii) Except as provided in Subsection (5)(c), the adjusted premiums for any policy shall
1135 be calculated on an annual basis and shall be such uniform percentage of the respective
1136 premiums specified in the policy for each policy year, excluding any extra premiums charged
1137 because of impairments or special hazards, that the present value, at the date of issue of the
1138 policy, of all such adjusted premiums shall be equal to the sum of:

1139 (A) the then present value of the future guaranteed benefits provided for by the policy;
1140 (B) 2% of the amount of insurance, if the insurance be uniform in amount, or of the

1141 equivalent uniform amount if the amount of insurance varies with duration of the policy;

1142 (C) 40% of the adjusted premium for the first policy year; and

1143 (D) 25% of either the adjusted premium for the first policy year or the adjusted
1144 premium for a whole life policy of the same uniform or equivalent uniform amount with
1145 uniform premiums for the whole of life issued at the same age for the same amount of
1146 insurance, whichever is less.

1147 (iii) Provided, however, that in applying the percentages specified in Subsections
1148 (5)(a)(ii)(C) and (D), no adjusted premium shall be considered to exceed 4% of the amount of
1149 insurance or uniform amount equivalent thereto. The date of issue of a policy for the purpose
1150 of this Subsection (5) shall be the date as of which the rated age of the insured is determined.

1151 (b) In the case of a policy providing an amount of insurance varying with duration of
1152 the policy, the equivalent uniform amount thereof for the purpose of this Subsection (5) shall
1153 be considered to be the uniform amount of insurance provided by an otherwise similar policy,
1154 containing the same endowment benefit or benefits, if any, issued at the same age and for the
1155 same term, the amount of which does not vary with duration and the benefits under which have
1156 the same present value at the date of issue as the benefits under the policy; provided, however,
1157 that in the case of a policy providing a varying amount of insurance issued on the life of a child
1158 under age 10, the equivalent uniform amount may be computed as though the amount of
1159 insurance provided by the policy [~~prior to~~] before the attainment of age 10 were the amount
1160 provided by such policy at age 10.

1161 (c) (i) The adjusted premiums for any policy providing term insurance benefits by rider
1162 or supplemental policy provision shall be equal to the sum of:

1163 (A) the adjusted premiums for an otherwise similar policy issued at the same age
1164 without such term insurance benefits[~~, increased~~]; and

1165 (B) during the period for which premiums for such term insurance benefits are payable,
1166 the adjusted premiums for such term insurance.

1167 (ii) The foregoing items (A) and (B) of Subsection (5)(c)(i) being calculated separately
1168 and as specified in Subsections (5)(a) and (b) except that, for the purposes of (B), (C), and (D)
1169 of Subsection (5)(a)(ii), the amount of insurance or equivalent uniform amount of insurance
1170 used in calculation of the adjusted premiums referred to in (B) of Subsection (5)[~~(c)(i)~~](a)(ii)
1171 shall be equal to the excess of the corresponding amount determined for the entire policy over

1172 the amount used in the calculation of the adjusted premiums in (A) of [this] Subsection
1173 (5)(c)(i).

1174 (d) Except as otherwise provided in Subsection (6), all adjusted premiums and present
1175 values referred to in this section shall for all policies of ordinary insurance be calculated on the
1176 basis of the Commissioner's 1941 Standard Ordinary Mortality Table, provided that for any
1177 category of ordinary insurance issued on female risks, adjusted premiums and present values
1178 may be calculated according to an age not more than three years younger than the actual age of
1179 the insured and such calculations for all policies of industrial insurance shall be made on the
1180 basis of the 1941 Standard Industrial Mortality Table. All calculations shall be made on the
1181 basis of the rate of interest, not exceeding 3-1/2% per annum, specified in the policy for
1182 calculating cash surrender values and paid-up nonforfeiture benefits. Provided, however, that
1183 in calculating the present value of any paid-up term insurance with accompanying pure
1184 endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be
1185 not more than 130% of the rates of mortality according to such applicable table. Provided,
1186 further, that for insurance issued on a substandard basis, the calculation of any such adjusted
1187 premiums and present values may be based on such other table of mortality as may be specified
1188 by the company and approved by the commissioner.

1189 (6) (a) This Subsection (6)(a) does not apply to ordinary policies issued on or after the
1190 operative date of Subsection (6)(d) as defined [therein] in Subsection (6)(d). In the case of
1191 ordinary policies issued on or after the operative date of Subsection (6)(a) as defined in
1192 Subsection (6)(b), all adjusted premiums and present values referred to in this section shall be
1193 calculated on the basis of the Commissioner's 1958 Standard Ordinary Mortality Table and the
1194 rate of interest as specified in the policy for calculating cash surrender values and paid-up
1195 nonforfeiture benefits, provided that such rate of interest may not exceed 3-1/2% per annum for
1196 policies issued before June 1, 1973, 4% per annum for policies issued on or after May 31,
1197 1973, and before April 2, 1980, and the rate of interest may not exceed 5-1/2% per annum for
1198 policies issued after April 2, 1980, except that for any single premium whole life or endowment
1199 insurance policy a rate of interest not exceeding 6-1/2% per annum may be used, and provided
1200 that for any category of ordinary insurance issued on female risks, adjusted premiums and
1201 present values may be calculated according to an age not more than six years younger than the
1202 actual age of the insured. Provided, however, that in calculating the present value of any

1203 paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture
1204 benefit, the rates of mortality assumed may be not more than those shown in the
1205 Commissioner's 1958 Extended Term Insurance Table. Provided, further, that for insurance
1206 issued on a substandard basis, the calculation of any such adjusted premiums and present
1207 values may be based on such other table of mortality as may be specified by the company and
1208 approved by the commissioner.

1209 (b) Any company may file with the commissioner a written notice of its election to
1210 comply with the provisions of Subsection (6)(a) after a specified date before January 1, 1966.
1211 After filing such notice, then upon such specified date, which is the operative date of
1212 Subsection (6)(a) for such company, this Subsection (6)(a) shall become operative with respect
1213 to the ordinary policies thereafter issued by such company. If a company makes no such
1214 election, the operative date of Subsection (6)(a) for such company is January 1, 1966.

1215 (c) (i) This Subsection (6)(c) does not apply to industrial policies issued after the
1216 operative date of Subsection (6)(d) as defined [~~therein~~] in Subsection (6)(d). In the case of
1217 industrial policies issued on or after the operative date of this Subsection (6)(c) as defined
1218 [~~herein~~] in this Subsection (6)(c), all adjusted premiums and present values referred to in this
1219 section shall be calculated on the basis of the Commissioner's 1961 Standard Industrial
1220 Mortality Table and the rate of interest specified in the policy for calculating cash surrender
1221 values and paid-up nonforfeiture benefits, provided that such rate of interest may not exceed
1222 3-1/2% per annum for policies issued before June 1, 1973, 4% per annum for policies issued
1223 after May 31, 1973, and before April 2, 1980, and 5-1/2% per annum for policies issued after
1224 April 2, 1980, except that for any single premium whole life or endowment insurance policy
1225 issued after April 2, 1980, a rate of interest not exceeding 6-1/2% per annum may be used.
1226 Provided, however, that in calculating the present value of any paid-up term insurance with
1227 accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality
1228 assumed may be not more than those shown in the Commissioner's 1961 Industrial Extended
1229 Term Insurance Table. Provided, further, that for insurance issued on a substandard basis, the
1230 calculation of any such adjusted premiums and present values may be based on such other table
1231 of mortality as may be specified by the company and approved by the commissioner.

1232 (ii) Any company may file with the commissioner a written notice of its election to
1233 comply with the provisions of this Subsection (6)(c) after a specified date before January 1,

1234 1968. After filing such notice, then upon that specified date, which is the operative date of this
1235 Subsection (6)(c) for such company, this Subsection (6)(c) shall become operative with respect
1236 to the industrial policies thereafter issued by such company. If a company makes no such
1237 election, the operative date of this Subsection (6)(c) for such company shall be January 1, 1968.

1238 (d) (i) This Subsection (6)(d) applies to all policies issued on or after the operative date
1239 of this Subsection (6)(d) as defined [herein] in this Subsection (6)(d). Except as provided in
1240 Subsection (6)(d)(vii), the adjusted premiums for any policy shall be calculated on an annual
1241 basis and shall be such uniform percentage of the respective premiums specified in the policy
1242 for each policy year, excluding amounts payable as extra premiums to cover impairments or
1243 special hazards and also excluding any uniform annual contract charge or policy fee specified
1244 in the policy in a statement of the method to be used in calculating the cash surrender values
1245 and paid-up nonforfeiture benefits, that the present value, at the date of issue of policy, of all
1246 adjusted premiums shall be equal to the sum of:

1247 (A) the then present value of the future guaranteed benefits provided for by the policy;

1248 (B) 1% of either the amount of insurance, if the insurance be uniform in amount, or the
1249 average amount of insurance at the beginning of each of the first 10 policy years; and

1250 (C) 125% of the nonforfeiture net level premium as [hereinafter] defined~~[- Provided,~~
1251 ~~however,]~~ in Subsection (6)(d)(iii), except that in applying the percentage specified in this
1252 Subsection (6)(d)(i)(C), no nonforfeiture net level premium shall be considered to exceed 4%
1253 of either the amount of insurance, if the insurance be uniform in amount, or the average amount
1254 of insurance at the beginning of each of the first 10 policy years.

1255 (ii) The date of issue of a policy for the purpose of this Subsection (6)(d) shall be the
1256 date as of which the rated age of the insured is determined.

1257 ~~[(ii)]~~ (iii) The nonforfeiture net level premium shall be equal to the present value, at the
1258 date of issue of the policy, of the guaranteed benefits provided for by the policy divided by the
1259 present value, at the date of issue of the policy, of an annuity of one per annum payable on the
1260 date of issue of the policy and on each anniversary of such policy on which a premium falls
1261 due.

1262 ~~[(iii)]~~ (iv) In the case of policies which cause on a basis guaranteed in the policy
1263 unscheduled changes in benefits or premiums, or which provide an option for changes in
1264 benefits or premiums other than change to a new policy, the adjusted premiums and present

1265 values shall initially be calculated on the assumption that future benefits and premiums do not
1266 change from those stipulated at the date of issue of the policy. At the time of any such change
1267 in the benefits or premiums the future adjusted premiums, nonforfeiture net level premiums,
1268 and present values shall be recalculated on the assumption that future benefits and premiums
1269 do not change from those stipulated by the policy immediately after the change.

1270 ~~[(iv)]~~ (v) Except as otherwise provided in Subsection (6)(d)~~[(vii)]~~(viii), the
1271 recalculated future adjusted premiums for any such policy shall be such uniform percentage of
1272 the respective future premiums specified in the policy for each policy year, excluding amounts
1273 specified in the policy for each policy year, excluding amounts payable as extra premiums to
1274 cover impairments and special hazards, and also excluding any uniform annual contract charge
1275 or policy fee specified in the policy in a statement of the method to be used in calculating the
1276 cash surrender values and paid-up nonforfeiture benefits, that the present value, at the time of
1277 change to the newly defined benefits or premiums, of all such future adjusted premiums shall
1278 be equal to the excess of:

1279 (A) the sum of:

1280 (I) the then present value of the then future guaranteed benefits provided for by the
1281 policy; and

1282 (II) the additional expense allowance, if any; over

1283 (B) the then cash surrender value, if any, or present value of any paid-up nonforfeiture
1284 benefit under the policy.

1285 ~~[(v)]~~ (vi) The additional expense allowance, at the time of the change to the newly
1286 defined benefits or premiums, shall be the sum of:

1287 (A) 1% of the excess, if positive, of the average amount of insurance at the beginning
1288 of each of the first 10 policy years subsequent to the change over the average amount of
1289 insurance ~~[prior to]~~ before the change at the beginning of each of the first 10 policy years
1290 subsequent to the time of the most recent previous change, or, if there has been no previous
1291 change, the date of issue of the policy; and

1292 (B) 125% of the increase, if positive, in the nonforfeiture net level premium.

1293 ~~[(vi)]~~ (vii) The recalculated nonforfeiture net level premium shall be equal to:

1294 (A) the sum of:

1295 (I) the nonforfeiture net level premium applicable ~~[prior to]~~ before the change times the

1296 present value of an annuity of one per annum payable on each anniversary of the policy on or
 1297 subsequent to the date of the change on which a premium would have fallen due had the
 1298 change not occurred; and

1299 (II) the present value of the increase in future guaranteed benefits provided for by the
 1300 policy; divided by

1301 (B) the present value of an annuity of one per annum payable on each anniversary of the
 1302 policy on or subsequent to the date of change on which a premium falls due.

1303 [~~vii~~] (viii) Notwithstanding any other provision of this Subsection (6)(d) to the
 1304 contrary, in the case of a policy issued on a substandard basis which provides reduced graded
 1305 amounts of insurance so that, in each policy year, such policy has the same tabular mortality
 1306 cost as an otherwise similar policy issued on the standard basis which provides higher uniform
 1307 amounts of insurance, adjusted premiums and present values for such substandard policy may
 1308 be calculated as if it were issued to provide such higher uniform amounts of insurance on the
 1309 standard basis.

1310 [~~viii~~—~~AH~~] (ix) Any adjusted premiums and present values referred to in this section
 1311 shall:

1312 (A) for [~~AH~~] policies of ordinary insurance be calculated on the basis of:

1313 (I) the Commissioner's 1980 Standard Ordinary Mortality Table; or

1314 (II) at the election of the company for any one or more specified plans of life insurance,
 1315 the Commissioner's 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality
 1316 Factors;

1317 (B) for all policies of industrial insurance be calculated on the basis of the
 1318 Commissioner's 1961 Standard Industrial Mortality Table; and

1319 (C) for all policies issued in a particular calendar year be calculated on the basis of a
 1320 rate of interest not exceeding the nonforfeiture interest rate as defined in Subsection
 1321 (6)(d)[~~(x)~~](xi), for policies issued in that calendar year.

1322 [~~(ix)~~] (x) Notwithstanding Subsection (6)(d)[~~(viii)~~](ix):

1323 (A) At the option of the company, calculations for all policies issued in a particular
 1324 calendar year may be made on the basis of a rate of interest not exceeding the nonforfeiture
 1325 interest rate, as defined in Subsection (6)(d)[~~(x)~~](xi), for policies issued in the immediately
 1326 preceding calendar year.

1327 (B) Under any paid-up nonforfeiture benefit, including any paid-up dividend additions,
1328 any cash surrender value available, whether or not required by Subsection (2), shall be
1329 calculated on the basis of the mortality table and rate of interest used in determining the
1330 amount of such paid-up nonforfeiture benefit and paid-up dividend additions, if any.

1331 (C) A company may calculate the amount of any guaranteed paid-up nonforfeiture
1332 benefit, including paid-up additions under the policy, on the basis of an interest rate no lower
1333 than that specified in the policy for calculating cash surrender values.

1334 (D) In calculating the present value of any paid-up term insurance with accompanying
1335 pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may
1336 be not more than those shown in the Commissioner's 1980 Extended Term Insurance Table for
1337 policies of ordinary insurance and not more than the Commissioner's 1961 Industrial Extended
1338 Term Insurance Table for policies of industrial insurance.

1339 (E) For insurance issued on a substandard basis, the calculation of any such adjusted
1340 premiums and present values may be based on appropriate modifications of the aforementioned
1341 tables.

1342 (F) ~~[Any ordinary mortality tables]~~ For a policy issued before the operative date of the
1343 valuation manual, a Commissioner's Standard Ordinary Mortality Tables, adopted after 1980
1344 by the National Association of Insurance Commissioners, that are approved by rules adopted by
1345 the commissioner for use in determining the minimum nonforfeiture standard, may be
1346 substituted for the Commissioner's 1980 Standard Ordinary Mortality Table with or without
1347 Ten-Year Select Mortality Factors or for the Commissioner's 1980 Extended Term Insurance
1348 Table. For a policy issued on or after the operative date of the valuation manual, the valuation
1349 manual shall provide the Commissioner's Standard Mortality Table for use in determining the
1350 minimum nonforfeiture standard that may be substituted for the Commissioner's 1980 Standard
1351 Ordinary Mortality Table with or without Ten-Year Select Mortality Factors or for the
1352 Commissioner's 1980 Extended Term Insurance Table. If the commissioner approves by rule
1353 any Commissioner's Standard Ordinary Mortality Table adopted by the National Association of
1354 Insurance Commissioners for use in determining the minimum nonforfeiture standard for
1355 policies issued on or after the operative date of the valuation manual, then that minimum
1356 nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the
1357 valuation manual.

1358 (G) ~~[Any industrial mortality tables]~~ For a policy issued before the operative date of the
1359 valuation manual, any Commissioner's Standard Industrial Mortality Tables, adopted after 1980
1360 by the National Association of Insurance Commissioners, that are approved by rules adopted by
1361 the commissioner for use in determining the minimum nonforfeiture standard may be
1362 substituted for the Commissioner's 1961 Industrial Extended Term Insurance Table. For a
1363 policy issued on or after the operative date of the valuation manual, the valuation manual shall
1364 provide the Commissioner's Standard Mortality Table for use in determining the minimum
1365 nonforfeiture standard that may be substituted for the Commissioner's 1961 Standard Industrial
1366 Mortality Table or the Commissioner's 1961 Industrial Extended Term Insurance Table. If the
1367 commissioner approves by rule any Commissioner's Standard Industrial Mortality Table
1368 adopted by the National Association of Insurance Commissioners for use in determining the
1369 minimum nonforfeiture standard for policies issued on or after the operative date of the
1370 valuation manual, then that minimum nonforfeiture standard supersedes the minimum
1371 nonforfeiture standard provided by the valuation manual.

1372 [~~(x)~~] (xi) The nonforfeiture interest rate is defined in this Subsection (6)(d)(xi):

1373 (A) for a policy issued before the operative date of the valuation manual, the
1374 nonforfeiture interest rate per annum for any policy issued in a particular calendar year shall be
1375 equal to 125% of the calendar year statutory valuation interest rate for such policy as defined in
1376 the Standard Valuation Law, rounded to the nearest one-fourth of 1%[-], except that the
1377 nonforfeiture interest rate may not be less than 4%; and

1378 (B) for a policy issued on and after the operative date of the valuation manual, the
1379 nonforfeiture interest rate per annum for any policy issued in a particular calendar year shall be
1380 provided by the valuation manual.

1381 [~~(xi)~~] (xii) Notwithstanding any other provision in this title to the contrary, any refiling
1382 of nonforfeiture values or their methods of computation for any previously approved policy
1383 form which involves only a change in the interest rate or mortality table used to compute
1384 nonforfeiture values does not require refiling of any other provisions of that policy form.

1385 [~~(xi)~~] (xiii) After the effective date of this Subsection (6)(d), any company may, at any
1386 time before January 1, 1989, file with the commissioner a written notice of its election to
1387 comply with the provisions of this subsection with regard to any number of plans of insurance
1388 after a specified date before January 1, 1989, which specified date shall be the operative date of

1389 this Subsection (6)(d) for the plan or plans, but if a company elects to make the provisions of
1390 this subsection operative before January 1, 1989, for fewer than all plans, the company shall
1391 comply with rules adopted by the commissioner. There is no limit to the number of times this
1392 election may be made. If the company makes no such election, the operative date of this
1393 subsection for such company shall be January 1, 1989.

1394 (7) In the case of any plan of life insurance which provides for future premium
1395 determination, the amounts of which are to be determined by the insurance company based on
1396 the estimates of future experience, or in the case of any plan of life insurance which is of such
1397 nature that minimum values cannot be determined by the methods described in Subsection (2),
1398 (3), (4), (5), (6)(a), (6)(b), (6)(c), or (6)(d) [herein], then:

1399 (a) the insurer shall demonstrate to the satisfaction of the commissioner that the
1400 benefits provided under the plan are substantially as favorable to policyholders and insureds as
1401 the minimum benefits otherwise required by Subsection (2), (3), (4), (5), (6)(a), (6)(b), (6)(c),
1402 or (6)(d);

1403 (b) the plan of life insurance shall satisfy the commissioner that the benefits and the
1404 pattern of premiums of that plan are not such as to mislead prospective policyholders or
1405 insureds; and

1406 (c) the cash surrender values and paid-up nonforfeiture benefits provided by the plan
1407 may not be less than the minimum values and benefits required for the plan computed by a
1408 method consistent with the principles of this Standard Nonforfeiture Law for Life Insurance, as
1409 determined by rules adopted by the commissioner.

1410 (8) (a) (i) Any cash surrender value and any paid-up nonforfeiture benefit, available
1411 under the policy in the event of default in a premium payment due at any time other than on the
1412 policy anniversary, shall be calculated with allowance for the lapse of time and the payment of
1413 fractional premiums beyond the last preceding policy anniversary.

1414 (ii) All values referred to in Subsections (3), (4), (5), and (6) may be calculated upon
1415 the assumption that any death benefit is payable at the end of the policy year of death.

1416 (iii) The net value of any paid-up additions, other than paid-up term additions, may not
1417 be less than the amounts used to provide such additions.

1418 (b) Notwithstanding the provisions of Subsection (3), additional benefits specified in
1419 Subsection (8)(c) and premiums for all such additional benefits shall be disregarded in

1420 ascertaining cash surrender values and nonforfeiture benefits required by this section, and no
1421 such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

1422 (c) Additional benefits referred to in Subsection (8)(b) include benefits payable:

1423 (i) in the event of death or dismemberment by accident or accidental means;

1424 (ii) in the event of total and permanent disability;

1425 (iii) as reversionary annuity or deferred reversionary annuity benefits;

1426 (iv) as term insurance benefits provided by a rider or supplemental policy provision to
1427 which, if issued as a separate policy, this section would not apply;

1428 (v) as term insurance on the life of a child or on the lives of children provided in a
1429 policy on the life of a parent of the child, if such term insurance expires before the child's age is
1430 26, if uniform in amount after the child's age is one, and has not become paid-up by reason of
1431 the death of a parent of the child; and

1432 (vi) as other policy benefits additional to life insurance endowment benefits.

1433 (9) (a) This Subsection (9), in addition to all other applicable subsections of this
1434 section, applies to all policies issued on or after January 1, 1985. Any cash surrender value
1435 available under the policy in the event of default in a premium payment due on any policy
1436 anniversary shall be in an amount which does not differ by more than 2/10 of 1% of either the
1437 amount of insurance, if the insurance be uniform in amount, or the average amount of
1438 insurance at the beginning of each of the first 10 policy years, from the sum of:

1439 (i) the greater of zero and the basic cash value [~~hereinafter~~] specified in Subsection
1440 (9)(b); and

1441 (ii) the present value of any existing paid-up additions less the amount of any
1442 indebtedness to the company under the policy.

1443 (b) The basic cash value shall be equal to the present value, on such anniversary of the
1444 future guaranteed benefits which would have been provided for by the policy, excluding any
1445 existing paid-up additions and before deduction of any indebtedness to the company, if there
1446 had been no default, less the then present value of the nonforfeiture factors, as [~~hereinafter~~]
1447 defined in Subsection (9)(c), corresponding to premiums which would have fallen due on and
1448 after such anniversary. Provided, however, that the effects on the basic cash value of
1449 supplemental life insurance or annuity benefits or of family coverage, as described in
1450 Subsection (3) or (5), whichever is applicable, shall be the same as are the effects specified in

1451 Subsection (3) or (5), whichever is applicable, on the cash surrender values defined in that
1452 subsection.

1453 (c) The nonforfeiture factor for each policy year shall be an amount equal to a
1454 percentage of the adjusted premium for the policy year, as defined in Subsection (5) or (6)(d),
1455 whichever is applicable. Except as is required by the next succeeding sentence of this
1456 paragraph, such percentage:

1457 (i) shall be the same percentage for each policy year between the second policy
1458 anniversary and the later of:

1459 (A) the fifth policy anniversary; and

1460 (B) the first policy anniversary at which there is available under the policy a cash
1461 surrender value in an amount, before including any paid-up additions and before deducting any
1462 indebtedness, of at least 2/10 of 1% of either the amount of insurance, if the insurance be
1463 uniform in amount, or the average amount of insurance at the beginning of each of the first 10
1464 policy years; and

1465 (ii) shall be such that no percentage after the later of the two policy anniversaries
1466 specified in Subsection (9)(a) may apply to fewer than five consecutive policy years.

1467 (d) Provided, that no basic cash value may be less than the value which would be
1468 obtained if the adjusted premiums for the policy, as defined in Subsection (5) or Subsection
1469 (6)(d), whichever is applicable, were substituted for the nonforfeiture factors in the calculation
1470 of the basic value.

1471 (e) All adjusted premiums and present values referred to in this Subsection (9) shall for
1472 a particular policy be calculated on the same mortality and interest bases as are used in
1473 demonstrating the policy's compliance with the other subsections of this nonforfeiture law.
1474 The cash surrender values referred to in this Subsection (9) shall include any endowment
1475 benefits provided for by the policy.

1476 (f) Any cash surrender value available other than in the event of default in a premium
1477 payment due on a policy anniversary, and the amount of any paid-up nonforfeiture benefit
1478 available under the policy in the event of default in a premium payment shall be determined in
1479 manners consistent with the manners specified for determining the analogous minimum
1480 amounts in Subsections (2), (3), (4), (5), (6), and (8). The amounts of any cash surrender
1481 values and of any paid-up nonforfeiture benefits granted in connection with additional benefits

1482 such as those listed as Subsection (8)(c) shall conform with the principles of this Subsection
1483 (9).

1484 (10) (a) This section does not apply to any of the following:

1485 (i) reinsurance;

1486 (ii) group insurance;

1487 (iii) pure endowment;

1488 (iv) an annuity or reversionary annuity contract;

1489 (v) a term policy of uniform amount, which provides no guaranteed nonforfeiture or
1490 endowment benefits, or renewal thereof, of 20 years or less expiring before age 71, for which
1491 uniform premiums are payable during the entire term of the policy;

1492 (vi) a term policy of decreasing amount, which provides no guaranteed nonforfeiture or
1493 endowment benefits, on which each adjusted premium, calculated as specified in Subsections
1494 (5) and (6), is less than the adjusted premium so calculated, on a term policy of uniform
1495 amount, or renewal thereof, which provides no guaranteed nonforfeiture or endowment
1496 benefits, issued at the same age and for the same initial amount of insurance, and for a term of
1497 20 years or less expiring before age 71, for which uniform premiums are payable during the
1498 entire term of the policy;

1499 (vii) a policy, which provides no guaranteed nonforfeiture or endowment benefits, for
1500 which no cash surrender value, if any, or present value of any paid-up nonforfeiture benefit, at
1501 the beginning of any policy year, calculated as specified in Subsections (3), (4), (5), and (6)
1502 exceeds 2-1/2% of the amount of insurance at the beginning of the same policy year; or

1503 (viii) a policy which shall be delivered outside this state through an agent or other
1504 representative of the company issuing the policy.

1505 (b) For purposes of determining the applicability of this section, the age of expiry for a
1506 joint term insurance policy shall be the age of expiry of the oldest life.

1507 (11) The commissioner may adopt rules interpreting, describing, and clarifying the
1508 application of this nonforfeiture law to any form of life insurance for which the interpretation,
1509 description, or clarification is considered necessary by the commissioner, including unusual
1510 and new forms of life insurance.

**Legislative Review Note
Office of Legislative Research and General Counsel**