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HOUSE BILL 2801

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State of Washington

63rd Legislature

2014 Regular Session

By Representatives Kirby and Parker

Read first time 03/10/14. Referred to Committee on Business & Financial Services.

1 AN ACT Relating to modernizing life insurance reserve requirements;  
2 amending RCW 42.56.400; reenacting and amending RCW 42.56.400; adding  
3 new sections to chapter 48.74 RCW; adding new sections to chapter 48.76  
4 RCW; repealing RCW 48.74.010, 48.74.020, 48.74.025, 48.74.030,  
5 48.74.040, 48.74.050, 48.74.060, 48.74.070, 48.74.080, and 48.74.090;  
6 providing effective dates; and providing an expiration date.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** TITLE AND DEFINITIONS. (1) This chapter may  
9 be known as the standard valuation law.

10 (2) For the purposes of this chapter, the following definitions  
11 shall apply on or after the operative date of the valuation manual:

12 (a) "Appointed actuary" means a qualified actuary who is appointed  
13 in accordance with the valuation manual to prepare the actuarial  
14 opinion required in section 3(4) of this act.

15 (b) "Company" means an entity which (i) has written, issued, or  
16 reinsured life insurance contracts, disability insurance contracts, or  
17 deposit-type contracts in this state and has at least one such policy  
18 in force or on claim; or (ii) has written, issued, or reinsured life  
19 insurance contracts, disability insurance contracts, or deposit-type

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

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

7 (d) "Disability insurance," which also may be known in industry as  
8 "accident and health insurance," means contracts that incorporate  
9 morbidity risk and provide protection against economic loss resulting  
10 from accident, sickness, or medical conditions and as may be specified  
11 in the valuation manual.

12 (e) "Life insurance" means contracts that incorporate mortality  
13 risk, including annuity and pure endowment contracts, and as may be  
14 specified in the valuation manual.

15 (f) "NAIC" means the national association of insurance  
16 commissioners.

17 (g) "Policyholder behavior" means any action a policyholder,  
18 contract holder, or any other person with the right to elect options,  
19 such as a certificate holder, may take under a policy or contract  
20 subject to this chapter including, but not limited to, lapse,  
21 withdrawal, transfer, deposit, premium payment, loan, annuitization, or  
22 benefit elections prescribed by the policy or contract but excluding  
23 events of mortality or morbidity that result in benefits prescribed in  
24 their essential aspects by the terms of the policy or contract.

25 (h) "Principle-based valuation" means a reserve valuation that uses  
26 one or more methods or one or more assumptions determined by the  
27 insurer and is required to comply with section 15 of this act as  
28 specified in the valuation manual.

29 (i) "Qualified actuary" means an individual who is qualified to  
30 sign the applicable statement of actuarial opinion in accordance with  
31 the American academy of actuaries qualification standards for actuaries  
32 signing such statements and who meets the requirements specified in the  
33 valuation manual.

34 (j) "Tail risk" means a risk that occurs either where the frequency  
35 of low probability events is higher than expected under a normal  
36 probability distribution or where there are observed events of very  
37 significant size or magnitude.

1 (k) "Valuation manual" means the manual of valuation instructions  
2 adopted by the NAIC as specified in this chapter or as subsequently  
3 amended.

4 NEW SECTION. **Sec. 2.** RESERVE VALUATION. (1) The commissioner  
5 shall annually value, or cause to be valued, the reserve liabilities,  
6 known as reserves, for all outstanding life insurance policies and  
7 annuity and pure endowment contracts of every life insurance company  
8 doing business in this state issued on or after July 10, 1982, and  
9 prior to the operative date of the valuation manual. In calculating  
10 reserves, the commissioner may use group methods and approximate  
11 averages for fractions of a year or otherwise. In lieu of the  
12 valuation of the reserves required of a foreign or alien company, the  
13 commissioner may accept a valuation made, or caused to be made, by the  
14 insurance supervisory official of any state or other jurisdiction when  
15 the valuation complies with the minimum standard provided in this  
16 chapter.

17 (a) The provisions set forth in sections 4 through 13 of this act  
18 shall apply to all policies and contracts, as appropriate, subject to  
19 this chapter issued on or after July 10, 1982, and prior to the  
20 operative date of the valuation manual and the provisions set forth in  
21 sections 14 and 15 of this act shall not apply to any such policies and  
22 contracts.

23 (b) The minimum standard for the valuation of policies and  
24 contracts issued prior to July 10, 1982, shall be that provided by the  
25 laws in effect immediately prior to that date.

26 (2)(a) The commissioner may annually value, or cause to be valued,  
27 the reserve liabilities, known as reserves, for all outstanding life  
28 insurance contracts, annuity and pure endowment contracts, disability  
29 contracts, and deposit-type contracts of every company issued on or  
30 after the operative date of the valuation manual. In lieu of the  
31 valuation of the reserves required of a foreign or alien company, the  
32 commissioner may accept a valuation made, or caused to be made, by the  
33 insurance supervisory official of any state or other jurisdiction when  
34 the valuation complies with the minimum standard provided in this  
35 chapter.

36 (b) The provisions set forth in sections 14 and 15 of this act

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

3 NEW SECTION. **Sec. 3.** ACTUARIAL OPINION OF RESERVES. (1) Every  
4 life insurance company doing business in this state must annually  
5 submit the opinion of a qualified actuary as to whether the reserves  
6 and related actuarial items held in support of the policies and  
7 contracts specified by the commissioner by rule are computed  
8 appropriately, are based on assumptions that satisfy contractual  
9 provisions, are consistent with prior reported amounts and comply with  
10 applicable laws of this state. The commissioner by rule must define  
11 the specifics of this opinion and add any other items deemed to be  
12 necessary to its scope.

13 (a) Every life insurance company, except as exempted by rule, must  
14 also annually include in the opinion required by this subsection (1),  
15 an opinion of the same qualified actuary as to whether the reserves and  
16 related actuarial items held in support of the policies and contracts  
17 specified by the commissioner by rule, when considered in light of the  
18 assets held by the company with respect to the reserves and related  
19 actuarial items, including but not limited to the investment earnings  
20 on the assets and the considerations anticipated to be received and  
21 retained under the policies and contracts, make adequate provision for  
22 the company's obligations under the policies and contracts, including  
23 but not limited to the benefits under and expenses associated with the  
24 policies and contracts.

25 (b) The commissioner may provide by rule for a transition period  
26 for establishing any higher reserves that the qualified actuary may  
27 deem necessary in order to render the opinion required by this section.

28 (2) Each opinion required by subsection (1)(a) of this section  
29 shall be governed by the following provisions:

30 (a) A memorandum, in form and substance acceptable to the  
31 commissioner as specified in rule, must be prepared to support each  
32 actuarial opinion.

33 (b) If the insurance company fails to provide a supporting  
34 memorandum at the request of the commissioner within a period specified  
35 in rule or the commissioner determines that the supporting memorandum  
36 provided by the insurance company fails to meet the standards set forth  
37 in rule or is otherwise unacceptable to the commissioner, the

1 commissioner may engage a qualified actuary at the expense of the  
2 company to review the opinion and the basis for the opinion and prepare  
3 the supporting memorandum required by the commissioner.

4 (3) Every opinion required by subsection (1) of this section shall  
5 be governed by the following provisions:

6 (a) The opinion must be submitted with the annual statement  
7 reflecting the valuation of such reserve liabilities for each year  
8 ending on or after December 31, 1994.

9 (b) The opinion must apply to all business in force including  
10 individual and group disability insurance plans, in form and substance  
11 acceptable to the commissioner as specified by rule.

12 (c) The opinion must be based on standards adopted by the  
13 commissioner, who in settling the standards shall give due regard to  
14 the standards established by the actuarial standards board or its  
15 successors.

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

21 (e) For the purposes of this section, "qualified actuary" means a  
22 member in good standing of the American academy of actuaries who meets  
23 the requirements set forth in the rule.

24 (f) Except in cases of fraud or willful misconduct, the qualified  
25 actuary shall not be liable for damages to any person (other than the  
26 insurance company and the commissioner) for any act, error, omission,  
27 decision, or conduct with respect to the actuary's opinion.

28 (g) Rules adopted by the commissioner must define disciplinary  
29 action by the commissioner against the company or the qualified  
30 actuary.

31 (h) Except as provided in (l), (m), and (n) of this subsection,  
32 documents, materials, or other information in the possession or control  
33 of the office of the insurance commissioner that are a memorandum in  
34 support of the opinion, and any other material provided by the company  
35 to the commissioner in connection with the memorandum, is confidential  
36 by law and privileged, is not subject to chapter 42.56 RCW, is not  
37 subject to subpoena, and is not subject to discovery or admissible in  
38 evidence in any private civil action. However, the commissioner is

1 authorized to use the documents, materials, or other information in the  
2 furtherance of any regulatory or legal action brought as a part of the  
3 commissioner's official duties.

4 (i) Neither the commissioner nor any person who received documents,  
5 materials, or other information while acting under the authority of the  
6 commissioner is permitted or required to testify in any private civil  
7 action concerning any confidential documents, materials, or information  
8 subject to (h) of this subsection.

9 (j) In order to assist in the performance of the commissioner's  
10 duties, the commissioner:

11 (i) May share documents, materials, or other information, including  
12 the confidential and privileged documents, materials, or information  
13 subject to (h) of this subsection with other state, federal, and  
14 international regulatory agencies, with the national association of  
15 insurance commissioners and its affiliates and subsidiaries, and with  
16 state, federal, and international law enforcement authorities, provided  
17 that the recipient agrees to maintain the confidentiality and  
18 privileged status of the document, material, or other information;

19 (ii) May receive documents, materials, or information, including  
20 otherwise confidential and privileged documents, materials, or  
21 information, from the national association of insurance commissioners  
22 and its affiliates and subsidiaries, and from regulatory and law  
23 enforcement officials of other foreign or domestic jurisdictions, and  
24 shall maintain as confidential or privileged any document, material, or  
25 information received with notice or the understanding that it is  
26 confidential or privileged under the laws of the jurisdiction that is  
27 the source of the document, material, or information; and

28 (iii) May enter into agreements governing the sharing and use of  
29 information consistent with (h) through (j) of this subsection.

30 (k) No waiver of any applicable privilege or claim of  
31 confidentiality in the documents, materials, or information shall occur  
32 as a result of disclosure to the commissioner under this section or as  
33 a result of sharing as authorized in (j) of this subsection.

34 (l) A memorandum in support of the opinion, and any other material  
35 provided by the company to the commissioner in connection with the  
36 memorandum, must be kept confidential by the commissioner and may not  
37 be made public and are not subject to subpoena, other than for the

1 purpose of defending an action seeking damages from any person by  
2 reason of an action required by this section or by rules adopted under  
3 it.

4 (m) The commissioner may otherwise release the memorandum or other  
5 material (a) with the written consent of the company; or (b) to the  
6 American academy of actuaries upon request stating that the memorandum  
7 or other material is required for the purpose of professional  
8 disciplinary proceedings and setting forth procedures satisfactory to  
9 the commissioner for preserving the confidentiality of the memorandum  
10 or other material.

11 (n) Once any portion of the confidential memorandum is cited by the  
12 company in its marketing or is cited before a governmental agency other  
13 than a state insurance department or is released by the company to the  
14 news media, all portions of the confidential memorandum are no longer  
15 confidential.

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

26 (b) Every company with outstanding life insurance contracts,  
27 disability insurance contracts, or deposit-type contracts in this state  
28 and subject to rule adopted by the commissioner, except as exempted in  
29 the valuation manual, must also annually include in the opinion  
30 required by subsection (1) of this section, an opinion of the same  
31 appointed actuary as to whether the reserves and related actuarial  
32 items held in support of the policies and contracts specified in the  
33 valuation manual, when considered in light of the assets held by the  
34 company with respect to the reserves and related actuarial items,  
35 including but not limited to the investment earnings on the assets and  
36 the considerations anticipated to be received and retained under the  
37 policies and contracts, make adequate provision for the company's

1 obligations under the policies and contracts, including but not limited  
2 to the benefits under and expenses associated with the policies and  
3 contracts.

4 (5) Each opinion required by subsection (4) of this section must be  
5 governed by the following provisions:

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

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

18 (6) Every opinion required under this section must be governed by  
19 the following provisions:

20 (a) The opinion must be in form and substance as specified in the  
21 valuation manual and acceptable to the commissioner.

22 (b) The opinion must be submitted with the annual statement  
23 reflecting the valuation of such reserve liabilities for each year  
24 ending on or after the operative date of the valuation manual.

25 (c) The opinion must apply to all policies and contracts subject to  
26 subsection (4) of this section, plus other actuarial liabilities as may  
27 be specified in the valuation manual.

28 (d) The opinion must be based on standards adopted from time to  
29 time by the actuarial standards board or its successor, and on such  
30 additional standards as may be prescribed in the valuation manual.

31 (e) In the case of an opinion required to be submitted by a foreign  
32 or alien company, the commissioner may accept the opinion filed by that  
33 company with the insurance supervisory official of another state if the  
34 commissioner determines that the opinion reasonably meets the  
35 requirements applicable to a company domiciled in this state.

36 (f) Except in cases of fraud or willful misconduct, the appointed  
37 actuary shall not be liable for damages to any person (other than the



1 insurance company and the commissioner) for any act, error, omission,  
2 decision, or conduct with respect to the appointed actuary's opinion.

3 (g) Rules adopted by the commissioner must define disciplinary  
4 action by the commissioner against the company or the appointed  
5 actuary.

6 NEW SECTION. **Sec. 4.** COMPUTATION OF MINIMUM STANDARD. Except as  
7 provided in sections 5, 6, and 13 of this act, the minimum standard for  
8 the valuation of policies and contracts issued prior to July 10, 1982,  
9 shall be that provided by the laws in effect immediately prior to that  
10 date. Except as otherwise provided in sections 5, 6, and 13 of this  
11 act, the minimum standard for the valuation of all policies and  
12 contracts issued on or after July 10, 1982, shall be the commissioners  
13 reserve valuation methods defined in sections 7, 8, 11, and 13 of this  
14 act, three and one-half percent interest, or in the case of life  
15 insurance policies and contracts, other than annuity and pure endowment  
16 contracts, issued on or after July 16, 1973, four percent interest for  
17 policies issued prior to September 1, 1979, five and one-half percent  
18 interest for single premium life insurance policies and four and  
19 one-half percent interest for all other policies issued on and after  
20 September 1, 1979, and the following tables:

21 (1) For ordinary policies of life insurance issued on the standard  
22 basis, excluding any disability and accidental death benefits in the  
23 policies: The commissioners 1941 standard ordinary mortality table for  
24 policies issued prior to the operative date of January 1, 1948, the  
25 commissioners 1958 standard ordinary mortality table for policies  
26 issued on or after the operative date of January 1, 1966, and prior to  
27 the operative date of January 1, 1989, except that for any category of  
28 policies issued on female risks, all modified net premiums and present  
29 values referred to in this chapter may be calculated according to an  
30 age not more than six years younger than the actual age of the insured;  
31 and for policies issued on or after the operative date of January 1,  
32 1989:

33 (a) The commissioners 1980 standard ordinary mortality table;

34 (b) At the election of the company for any one or more specified  
35 plans of life insurance, the commissioners 1980 standard ordinary  
36 mortality table with ten-year select mortality factors; or

1 (c) Any ordinary mortality table, adopted after 1980 by the NAIC,  
2 which is approved by rule adopted by the commissioner for use in  
3 determining the minimum standard of valuation for such policies;

4 (2) For industrial life insurance policies issued on the standard  
5 basis, excluding any disability and accidental death benefits in the  
6 policies: The 1941 standard industrial mortality table for policies  
7 issued prior to the operative date of January 1, 1948, and for policies  
8 issued on or after the operative date of January 1, 1968, the  
9 commissioners 1961 standard industrial mortality table or any  
10 industrial mortality table adopted after 1980 by the NAIC that is  
11 approved by rule adopted by the commissioner for use in determining the  
12 minimum standard of valuation for the policies;

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

18 (4) For group annuity and pure endowment contracts, excluding any  
19 disability and accidental death benefits in the policies: The group  
20 annuity mortality table for 1951, a modification of the table approved  
21 by the commissioner, or at the option of the company, any of the tables  
22 or modifications of tables specified for individual annuity and pure  
23 endowment contracts;

24 (5) For total and permanent disability benefits in or supplementary  
25 to ordinary policies or contracts: For policies or contracts issued on  
26 or after January 1, 1966, the tables of period 2 disablement rates and  
27 the 1930 to 1950 termination rates of the 1952 disability study of the  
28 society of actuaries, with due regard to the type of benefit or any  
29 tables of disablement rates and termination rates adopted after 1980 by  
30 the NAIC, that are approved by rules adopted by the commissioner for  
31 use in determining the minimum standard of valuation for those  
32 policies; for policies or contracts issued on or after January 1, 1961,  
33 and prior to January 1, 1966, either those tables or, at the option of  
34 the company, the class (3) disability table (1926); and for policies  
35 issued prior to January 1, 1961, the class (3) disability table (1926).  
36 Any such table shall, for active lives, be combined with a mortality  
37 table permitted for calculating the reserves for life insurance  
38 policies;

1 (6) For accidental death benefits in or supplementary to policies  
2 issued on or after January 1, 1966: The 1959 accidental death benefits  
3 table or any accidental death benefits table adopted after 1980 by the  
4 NAIC that is approved by rule adopted by the commissioner for use in  
5 determining the minimum standard of valuation for those policies, for  
6 policies issued on or after January 1, 1961, and prior to January 1,  
7 1966, either that table or, at the option of the company, the  
8 inter-company double indemnity mortality table; and for policies issued  
9 prior to January 1, 1961, the inter-company double indemnity mortality  
10 table. Either table shall be combined with a mortality table for  
11 calculating the reserves for life insurance policies; and

12 (7) For group life insurance, life insurance issued on the  
13 substandard basis and other special benefits: Tables approved by the  
14 commissioner.

15 NEW SECTION. **Sec. 5.** COMPUTATION OF MINIMUM STANDARD FOR  
16 ANNUITIES. (1) Except as provided in section 6 of this act, the  
17 minimum standard of valuation for individual annuity and pure endowment  
18 contracts issued on or after July 10, 1982, and for annuities and pure  
19 endowments purchased on or after such operative date under group  
20 annuity and pure endowment contracts, shall be the commissioners  
21 reserve valuation methods defined in sections 7 and 8 of this act and  
22 the following tables and interest rates:

23 (a) For individual annuity and pure endowment contracts issued  
24 prior to September 1, 1979, excluding any disability and accidental  
25 death benefits in those contracts: The 1971 individual annuity  
26 mortality table, or any modification of this table approved by the  
27 commissioner, and six percent interest for single premium immediate  
28 annuity contracts and four percent interest for all other individual  
29 annuity and pure endowment contracts;

30 (b) For individual single premium immediate annuity contracts  
31 issued on or after September 1, 1979, excluding any disability and  
32 accidental death benefits in those contracts: The 1971 individual  
33 annuity mortality table or any individual annuity mortality table  
34 adopted after 1980 by the NAIC that is approved by rule adopted by the  
35 commissioner for use in determining the minimum standard of valuation  
36 for these contracts, or any modification of these tables approved by  
37 the commissioner, and seven and one-half percent interest;

1 (c) For individual annuity and pure endowment contracts issued on  
2 or after September 1, 1979, other than single premium immediate annuity  
3 contracts, excluding any disability and accidental death benefits in  
4 those contracts: The 1971 individual annuity mortality table or any  
5 individual annuity mortality table adopted after 1980 by the NAIC, that  
6 is approved by rule adopted by the commissioner for use in determining  
7 the minimum standard of valuation for those contracts, or any  
8 modification of these tables approved by the commissioner, and five and  
9 one-half percent interest for single premium deferred annuity and pure  
10 endowment contracts and four and one-half percent interest for all  
11 other individual annuity and pure endowment contracts;

12 (d) For annuities and pure endowments purchased prior to September  
13 1, 1979, under group annuity and pure endowment contracts, excluding  
14 any disability and accidental death benefits purchased under those  
15 contracts: The 1971 group annuity mortality table or any modification  
16 of this table approved by the commissioner, and six percent interest;  
17 and

18 (e) For annuities and pure endowments purchased on or after  
19 September 1, 1979, under group annuity and pure endowment contracts,  
20 excluding any disability and accidental death benefits purchased under  
21 those contracts: The 1971 group annuity mortality table, or any group  
22 annuity mortality table adopted after 1980 by the NAIC that is approved  
23 by rule adopted by the commissioner for use in determining the minimum  
24 standard of valuation for annuities and pure endowments, or any  
25 modification of these tables approved by the commissioner, and seven  
26 and one-half percent interest.

27 (2) After July 16, 1973, any company may file with the commissioner  
28 a written notice of its election to comply with the provisions of this  
29 section after a specified date before January 1, 1979, which shall be  
30 the operative date of this section for that company. If a company  
31 makes no election, the operative date of this section for that company  
32 shall be January 1, 1979.

33 NEW SECTION. **Sec. 6.** COMPUTATION OF MINIMUM STANDARD BY CALENDAR  
34 YEAR OF ISSUE. (1) The interest rates used in determining the minimum  
35 standard for the valuation of the following shall be the calendar year  
36 statutory valuation interest rates as defined in this section:



1 (d) For other annuities with no cash settlement options and for  
2 guaranteed interest contracts with no cash settlement options, the  
3 formula for single premium immediate annuities stated in (b) of this  
4 subsection shall apply;

5 (e) For other annuities with cash settlement options and guaranteed  
6 interest contracts with cash settlement options, valued on a change in  
7 fund basis, the formula for single premium immediate annuities stated  
8 in (b) of this subsection shall apply;

9 (f) However, if the calendar year statutory valuation interest rate  
10 for a life insurance policy issued in any calendar year determined  
11 without reference to this sentence differs from the corresponding  
12 actual rate for similar policies issued in the immediately preceding  
13 calendar year by less than one-half of one percent, the calendar year  
14 statutory valuation interest rate for the life insurance policies shall  
15 be equal to the corresponding actual rate for the immediately preceding  
16 calendar year. For purposes of applying the immediately preceding  
17 sentence, the calendar year statutory valuation interest rate for life  
18 insurance policies issued in a calendar year shall be determined for  
19 1983 (using the reference interest rate defined in 1982) and shall be  
20 determined for each subsequent calendar year regardless of when RCW  
21 48.76.050(4) became operative.

22 (3)(a) The weighting factors referred to in the formulas stated in  
23 subsection (2) of this section are given in the following tables:

24 (i) Weighting factors for life insurance:

25	Guarantee Duration	Weighting Factors
26	(Years)	
27	10 or less	.50
28	More than 10, but not	.45
29	more than 20	
30	More than 20	.35

31 For life insurance, the guarantee duration is the maximum number of  
32 years the life insurance can remain in force on a basis guaranteed in  
33 the policy or under options to convert to plans of life insurance with  
34 premium rates or nonforfeiture values or both which are guaranteed in  
35 the original policy;

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

(iii) Weighting factors for other annuities and for guaranteed interest contracts, except as stated in (a)(ii) of this subsection, shall be as specified in (a)(iii)(A), (B), and (C) of this subsection (3), according to the rules and definitions in (a)(iii)(D), (b), and (c) of this subsection (3):

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

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

(B) For annuities and guaranteed interest contracts valued on a change in fund basis, the factors shown in (a)(iii)(A) of this subsection increased by:

Plan Type	A	B	C
		.15	.25

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

1 beyond the valuation date, the factors shown in (a)(iii)(A) of this  
2 subsection or derived in (a)(iii)(B) of this subsection increased by:

	Plan Type		
	A	B	C
	.05	.05	.05

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

16 (b) Plan type as used in the tables in (a)(iii)(A) through (C) of  
17 this subsection is defined as follows:

18 (i) Plan type 1: At any time policyholder may withdraw funds only  
19 (A) with an adjustment to reflect changes in interest rates or asset  
20 values since receipt of the funds by the insurance company, (B) without  
21 an adjustment but installments over five years or more, (C) as an  
22 immediate life annuity, or (D) no withdrawal permitted.

23 (ii) Plan type 2: Before expiration of the interest rate  
24 guarantee, policyholder may withdraw funds only (A) with an adjustment  
25 to reflect changes in interest rates or asset values since receipt of  
26 the funds by the insurance company, (B) without an adjustment but in  
27 installments over five years or more, or (C) no withdrawal permitted.  
28 At the end of interest rate guarantee, funds may be withdrawn without  
29 an adjustment in a single sum or installments over less than five  
30 years.

31 (iii) Plan type 3: Policyholder may withdraw funds before  
32 expiration of interest rate guarantee in a single sum or installments  
33 over less than five years either (A) without adjustment to reflect  
34 changes in interest rates or asset values since receipt of the funds by



1 the insurance company, or (B) subject only to a fixed surrender charge  
2 stipulated in the contract as a percentage of the fund.

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

19 (4) The reference interest rate referred to in subsection (2) of  
20 this section shall be defined as follows:

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

26 (b) For single premium immediate annuities and for annuity benefits  
27 involving life contingencies arising from other annuities with cash  
28 settlement options and guaranteed interest contracts with cash  
29 settlement options, the average over a period of twelve months, ending  
30 on June 30th of the calendar year of issue or year of purchase, of the  
31 monthly average of the composite yield on seasoned corporate bonds, as  
32 published by Moody's investors service, inc.

33 (c) For other annuities with cash settlement options and guaranteed  
34 interest contracts with cash settlement options, valued on a year of  
35 issue basis, except as stated in (b) of this subsection, with guarantee  
36 duration in excess of ten years, the lesser of the average over a  
37 period of thirty-six months and the average over a period of twelve

1 months, ending on June 30th of the calendar year of issue or purchase,  
2 of the monthly average of the composite yield on seasoned corporate  
3 bonds, as published by Moody's investors service, inc.

4 (d) For other annuities with cash settlement options and guaranteed  
5 interest contracts with cash settlement options, valued on a year of  
6 issue basis, except as stated in (b) of this subsection, with guarantee  
7 duration of ten years or less, the average over a period of twelve  
8 months, ending on June 30th of the calendar year of issue or purchase,  
9 of the monthly average of the composite yield on seasoned corporate  
10 bonds, as published by Moody's investors service, inc.

11 (e) For other annuities with no cash settlement options and for  
12 guaranteed interest contracts with no cash settlement options, the  
13 average over a period of twelve months, ending on June 30th of the  
14 calendar year of issue or purchase, of the monthly average of the  
15 composite yield on seasoned corporate bonds, as published by Moody's  
16 investors service, inc.

17 (f) For other annuities with cash settlement options and guaranteed  
18 interest contracts with cash settlement options, valued on a change in  
19 fund basis, except as stated in (b) of this subsection, the average  
20 over a period of twelve months, ending on June 30th of the calendar  
21 year of the change in the fund, of the monthly average of the composite  
22 yield on seasoned corporate bonds, as published by Moody's investors  
23 service, inc.

24 (5) In the event that the monthly average of the composite yield on  
25 seasoned corporate bonds is no longer published by Moody's investors  
26 service, inc. or in the event that the NAIC determines that the monthly  
27 average of the composite yield on seasoned corporate bonds as published  
28 by Moody's investors service, inc. is no longer appropriate for the  
29 determination of the reference interest rate, then an alternative  
30 method for determination of the reference interest rate adopted by the  
31 NAIC and approved by rule adopted by the commissioner may be  
32 substituted.

33 NEW SECTION. **Sec. 7.** RESERVE VALUATION METHOD--LIFE INSURANCE AND  
34 ENDOWMENT BENEFITS. (1) Except as otherwise provided in sections 8,  
35 11, and 13 of this act, reserves according to the commissioners reserve  
36 valuation method, for the life insurance and endowment benefits of  
37 policies providing for a uniform amount of insurance and requiring the

1 payment of uniform premiums shall be the excess, if any, of the present  
2 value, at the date of valuation, of the future guaranteed benefits  
3 provided for by those policies, over the then present value of any  
4 future modified net premiums therefor. The modified net premiums for  
5 a policy shall be the uniform percentage of the respective contract  
6 premiums for the benefits such that the present value, at the date of  
7 issue of the policy, of all modified net premiums shall be equal to the  
8 sum of the then present value of the benefits provided for by the  
9 policy and the excess of (a) of this subsection over (b) of this  
10 subsection, as follows:

11 (a) A net level annual premium equal to the present value, at the  
12 date of issue, of the benefits provided for after the first policy  
13 year, divided by the present value, at the date of issue, of an annuity  
14 of one per annum payable on the first and each subsequent anniversary  
15 of the policy on which a premium falls due. However, the net level  
16 annual premium shall not exceed the net level annual premium on the  
17 nineteen-year premium whole life plan for insurance of the same amount  
18 at an age one year higher than the age at issue of the policy.

19 (b) A net one-year term premium for the benefits provided for in  
20 the first policy year.

21 (2) For a life insurance policy issued on or after January 1, 1986,  
22 for which the contract premium in the first policy year exceeds that of  
23 the second year and for which no comparable additional benefit is  
24 provided in the first year for the excess and which provides an  
25 endowment benefit or a cash surrender value or a combination in an  
26 amount greater than the excess premium, the reserve according to the  
27 commissioners reserve valuation method as of any policy anniversary  
28 occurring on or before the assumed ending date defined as the first  
29 policy anniversary on which the sum of any endowment benefit and any  
30 cash surrender value then available is greater than the excess premium  
31 shall, except as otherwise provided in section 11 of this act, be the  
32 greater of the reserve as of the policy anniversary calculated as  
33 described in subsection (1) of this section and the reserve as of the  
34 policy anniversary calculated as described in subsection (1) of this  
35 section, but with (a) the value defined in subsection (1) of this  
36 section being reduced by fifteen percent of the amount of such excess  
37 first year premium, (b) all present values of benefits and premiums  
38 being determined without reference to premiums or benefits provided for

1 by the policy after the assumed ending date, (c) the policy being  
2 assumed to mature on that date as an endowment, and (d) the cash  
3 surrender value provided on that date being considered as an endowment  
4 benefit. In making this comparison the mortality and interest bases  
5 stated in sections 4 and 6 of this act shall be used.

6 (3) Reserves according to the commissioners reserve valuation  
7 method shall be calculated by a method consistent with the principles  
8 of subsections (1) and (2) of this section for:

9 (a) Life insurance policies providing for a varying amount of  
10 insurance or requiring the payment of varying premiums;

11 (b) Group annuity and pure endowment contracts purchased under a  
12 retirement plan or plan of deferred compensation, established or  
13 maintained by an employer (including a partnership or sole  
14 proprietorship) or by an employee organization, or by both, other than  
15 a plan providing individual retirement accounts or individual  
16 retirement annuities under section 408 of the internal revenue code;

17 (c) Disability and accidental death benefits in all policies and  
18 contracts; and

19 (d) All other benefits, except life insurance and endowment  
20 benefits in life insurance policies and benefits provided by all other  
21 annuity and pure endowment contracts.

22 NEW SECTION. **Sec. 8.** RESERVE VALUATION METHOD--ANNUITY AND PURE  
23 ENDOWMENT BENEFITS. (1) This section shall apply to all annuity and  
24 pure endowment contracts other than group annuity and pure endowment  
25 contracts purchased under a retirement plan or plan of deferred  
26 compensation, established or maintained by an employer (including a  
27 partnership or sole proprietorship) or by an employee organization, or  
28 by both, other than a plan providing individual retirement accounts or  
29 individual retirement annuities under section 408 of the internal  
30 revenue code.

31 (2) Reserves according to the commissioners annuity reserve method  
32 for benefits under annuity or pure endowment contracts, excluding any  
33 disability and accidental death benefits in the contracts, shall be the  
34 greatest of the respective excesses of the present values, at the date  
35 of valuation, of the future guaranteed benefits, including guaranteed  
36 nonforfeiture benefits, provided for by the contracts at the end of  
37 each respective contract year, over the present value, at the date of

1 valuation, of any future valuation considerations derived from future  
2 gross considerations, required by the terms of the contract, that  
3 become payable prior to the end of the respective contract year. The  
4 future guaranteed benefits shall be determined by using the mortality  
5 table, if any, and the interest rate, or rates, specified in the  
6 contracts for determining guaranteed benefits. The valuation  
7 considerations are the portions of the respective gross considerations  
8 applied under the terms of the contracts to determine nonforfeiture  
9 values.

10 NEW SECTION. **Sec. 9.** MINIMUM RESERVES. (1) In no event may a  
11 company's aggregate reserves for all life insurance policies, excluding  
12 disability and accidental death benefits, issued on or after July 10,  
13 1982, be less than the aggregate reserves calculated in accordance with  
14 the methods set forth in sections 7, 8, 11, and 12 of this act and the  
15 mortality table or tables and rate or rates of interest used in  
16 calculating nonforfeiture benefits for the policies.

17 (2) In no event may the aggregate reserves for all policies,  
18 contracts, and benefits be less than the aggregate reserves determined  
19 by the appointed actuary to be necessary to render the opinion required  
20 by section 3 of this act.

21 NEW SECTION. **Sec. 10.** OPTIONAL RESERVE CALCULATION. (1) Reserves  
22 for policies and contracts issued prior to July 10, 1982, may be  
23 calculated, at the option of the company, according to any standards  
24 that produce greater aggregate reserves for all such policies and  
25 contracts than the minimum reserves required by the laws in effect  
26 immediately prior to that date.

27 (2) Reserves for any category of policies, contracts, or benefits  
28 established by the commissioner, issued on or after July 10, 1982, may  
29 be calculated, at the option of the company, according to any standards  
30 that produce greater aggregate reserves for the category than those  
31 calculated according to the minimum standard, but the rate or rates of  
32 interest used for policies and contracts, other than annuity and pure  
33 endowment contracts, shall not be greater than the corresponding rate  
34 or rates of interest used in calculating any nonforfeiture benefits  
35 provided in the policies or contracts.

1 (3) Any company, which at any time has adopted any standard of  
2 valuation producing greater aggregate reserves than those calculated  
3 according to the minimum standard provided under this chapter, may,  
4 with the approval of the commissioner, adopt any lower standard of  
5 valuation with the approval of the commissioner, but not lower than the  
6 minimum provided. For the purposes of this section, the holding of  
7 additional reserves previously determined by the appointed actuary to  
8 be necessary to render the opinion required by section 3 of this act is  
9 not to be the adoption of a higher standard of valuation.

10 NEW SECTION. **Sec. 11.** RESERVE CALCULATION--VALUATION NET PREMIUM  
11 EXCEEDING THE GROSS PREMIUM CHARGED. If in any contract year the gross  
12 premium charged by a company on a policy or contract is less than the  
13 valuation net premium for the policy or contract calculated by the  
14 method used in calculating the reserve but using the minimum valuation  
15 standards of mortality and rate of interest, the minimum reserve  
16 required for such policy or contract shall be the greater of either the  
17 reserve calculated according to the mortality table, rate of interest,  
18 and method actually used for such policy or contract, or the reserve  
19 calculated by the method actually used for such policy or contract but  
20 using the minimum valuation standards of mortality and rate of interest  
21 and replacing the valuation net premium by the actual gross premium in  
22 each contract year for which the valuation net premium exceeds the  
23 actual gross premium. The minimum valuation standards of mortality and  
24 rate of interest referred to in this section are those standards stated  
25 in sections 4 and 6 of this act.

26 For a life insurance policy issued on or after January 1, 1986, for  
27 which the gross premium in the first policy year exceeds that of the  
28 second year and for which no comparable additional benefit is provided  
29 in the first year for the excess and which provides an endowment  
30 benefit or a cash surrender value or a combination in an amount greater  
31 than the excess premium, the provisions of this section shall be  
32 applied as if the method actually used in calculating the reserve for  
33 the policy was the method described in sections 7 and 8 of this act,  
34 excluding section 7(2) of this act. The minimum reserve at each policy  
35 anniversary of such a policy shall be the greater of the minimum  
36 reserve calculated in accordance with sections 7 and 8 of this act,

1 including section 7(2) of this act, and the minimum reserve calculated  
2 in accordance with this section.

3 NEW SECTION. **Sec. 12.** RESERVE CALCULATION--INDETERMINATE PREMIUM  
4 PLANS. (1) In the case of a plan of life insurance that provides for  
5 future premium determination, the amounts of which are to be determined  
6 by the insurance company based on then estimates of future experience,  
7 or in the case of a plan of life insurance or annuity that is of such  
8 a nature that the minimum reserves cannot be determined by the methods  
9 described in sections 7, 8, and 11 of this act, the reserves that are  
10 held under the plan must, under rules adopted by the commissioner:

11 (a) Be appropriate in relation to the benefits and the pattern of  
12 premiums for that plan; and

13 (b) Be computed by a method that is consistent with the principles  
14 of the standard valuation law.

15 (2) Notwithstanding any other provision in this chapter, a policy,  
16 contract, or certificate providing life insurance under such a plan  
17 must be affirmatively approved by the commissioner before it can be  
18 marketed, issued, delivered, or used in this state.

19 (3) If subsection (2) of this section is enacted in a state where  
20 prior filing and approval of life insurance policy forms has not been  
21 previously required by statute, this subsection mandates such action  
22 for plans requiring approval under this section. If subsection (2) of  
23 this section is enacted in a state where approval is deemed under  
24 certain circumstances, the deemed provision would be overridden by the  
25 terms of this section.

26 NEW SECTION. **Sec. 13.** MINIMUM STANDARD FOR DISABILITY INSURANCE  
27 CONTRACTS. For disability insurance contracts issued on or after the  
28 operative date of the valuation manual, the standard prescribed in the  
29 valuation manual is the minimum standard of valuation required under  
30 section 2(2) of this act. For disability contracts issued on or after  
31 July 10, 1982, and prior to the operative date of the valuation manual  
32 the minimum standard of valuation is the standard adopted by the  
33 commissioner by rule.

34 NEW SECTION. **Sec. 14.** VALUATION MANUAL FOR POLICIES ISSUED ON OR  
35 AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL. (1) For policies

1 issued on or after the operative date of the valuation manual, the  
2 standard prescribed in the valuation manual is the minimum standard of  
3 valuation required under section 2(2) of this act, except as provided  
4 under subsection (5) or (6) of this section.

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

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

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

17 (c) The standard valuation law, as amended by the NAIC in 2009, or  
18 legislation including substantially similar terms and provisions, has  
19 been enacted by at least forty-two of the following fifty-five  
20 jurisdictions: The fifty States of the United States, American Samoa,  
21 the American Virgin Islands, the District of Columbia, Guam, and Puerto  
22 Rico.

23 (3) Unless a change in the valuation manual specifies a later  
24 effective date, changes to the valuation manual shall be effective on  
25 January 1st following the date when the change to the valuation manual  
26 has been adopted by the NAIC by an affirmative vote representing:

27 (a) At least three-fourths of the members of the NAIC voting, but  
28 not less than a majority of the total membership; and

29 (b) Members of the NAIC representing jurisdictions totaling greater  
30 than seventy-five percent of the direct premiums written as reported in  
31 the following annual statements most recently available prior to the  
32 vote in (a) of this subsection: Life, accident and health annual  
33 statements, health annual statements, or fraternal annual statements.

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

35 (a) Minimum valuation standards for and definitions of the policies  
36 or contracts subject to section 2(2) of this act. Such minimum  
37 valuation standards shall be:



1 (i) The commissioners reserve valuation method for life insurance  
2 contracts, other than annuity contracts, subject to section 2(2) of  
3 this act;

4 (ii) The commissioners annuity reserve valuation method for annuity  
5 contracts subject to section 2(2) of this act; and

6 (iii) Minimum reserves for all other policies or contracts subject  
7 to section 2(2) of this act;

8 (b) Which policies or contracts or types of policies or contracts  
9 that are subject to the requirements of a principle-based valuation in  
10 section 15(1) of this act and the minimum valuation standards  
11 consistent with those requirements;

12 (c) For policies and contracts subject to a principle-based  
13 valuation under section 15 of this act:

14 (i) Requirements for the format of reports to the commissioner  
15 under section 15(2)(c) of this act and which must include information  
16 necessary to determine if the valuation is appropriate and in  
17 compliance with this chapter;

18 (ii) Assumptions must be prescribed for risks over which the  
19 company does not have significant control or influence;

20 (iii) Procedures for corporate governance and oversight of the  
21 actuarial function, and a process for appropriate waiver or  
22 modification of such procedures;

23 (d) For policies not subject to a principle-based valuation under  
24 section 15 of this act the minimum valuation standard must either:

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

27 (ii) Develop reserves that quantify the benefits and guarantees,  
28 and the funding, associated with the contracts and their risks at a  
29 level of conservatism that reflects conditions that include unfavorable  
30 events that have a reasonable probability of occurring;

31 (e) Other requirements, including, but not limited to, those  
32 relating to reserve methods, models for measuring risk, generation of  
33 economic scenarios, assumptions, margins, use of company experience,  
34 risk measurement, disclosure, certifications, reports, actuarial  
35 opinions and memorandums, transition rules, and internal controls; and

36 (f) The data and form of the data required under section 16 of this  
37 act, with whom the data must be submitted, and may specify other  
38 requirements including data analyses and reporting of analyses.

1 (5) In the absence of a specific valuation requirement or if a  
2 specific valuation requirement in the valuation manual is not, in the  
3 opinion of the commissioner, in compliance with this chapter, then the  
4 company must, with respect to such requirements, comply with minimum  
5 valuation standards adopted by the commissioner by rule.

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

15 (7) The commissioner may require a company to change any assumption  
16 or method that in the opinion of the commissioner is necessary in order  
17 to comply with the requirements of the valuation manual or this  
18 chapter; and the company must adjust the reserves as required by the  
19 commissioner. The commissioner may take other disciplinary action as  
20 permitted pursuant to this title.

21 NEW SECTION. **Sec. 15.** REQUIREMENTS OF A PRINCIPLE-BASED  
22 VALUATION. (1) A company must establish reserves using a  
23 principle-based valuation that meets the following conditions for  
24 policies or contracts as specified in the valuation manual:

25 (a) Quantify the benefits and guarantees, and the funding,  
26 associated with the contracts and their risks at a level of  
27 conservatism that reflects conditions that include unfavorable events  
28 that have a reasonable probability of occurring during the lifetime of  
29 the contracts. For policies or contracts with significant tail risk,  
30 reflects conditions appropriately adverse to quantify the tail risk;

31 (b) Incorporate assumptions, risk analysis methods, and financial  
32 models and management techniques that are consistent with, but not  
33 necessarily identical to, those utilized within the company's overall  
34 risk assessment process, while recognizing potential differences in  
35 financial reporting structures and any prescribed assumptions or  
36 methods;

1 (c) Incorporate assumptions that are derived in one of the  
2 following manners:

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

4 (ii) For assumptions that are not prescribed, the assumptions must:

5 (A) Be established utilizing the company's available experience,  
6 to the extent it is relevant and statistically credible; or

7 (B) To the extent that company data is not available, relevant, or  
8 statistically credible, be established utilizing other relevant,  
9 statistically credible experience;

10 (d) Provide margins for uncertainty including adverse deviation and  
11 estimation error, such that the greater the uncertainty the larger the  
12 margin and resulting reserve.

13 (2) A company using a principle-based valuation for one or more  
14 policies or contracts subject to this section as specified in the  
15 valuation manual must:

16 (a) Establish procedures for corporate governance and oversight of  
17 the actuarial valuation function consistent with those described in the  
18 valuation manual;

19 (b) Provide to the commissioner and the board of directors an  
20 annual certification of the effectiveness of the internal controls with  
21 respect to the principle-based valuation. Such controls must be  
22 designed to assure that all material risks inherent in the liabilities  
23 and associated assets subject to such valuation are included in the  
24 valuation, and that valuations are made in accordance with the  
25 valuation manual. The certification must be based on the controls in  
26 place as of the end of the preceding calendar year;

27 (c) Develop, and file with the commissioner upon request, a  
28 principle-based valuation report that complies with standards  
29 prescribed in the valuation manual.

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

32 NEW SECTION. **Sec. 16.** EXPERIENCE REPORTING FOR POLICIES IN FORCE  
33 ON OR AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL. A company must  
34 submit mortality, morbidity, policyholder behavior, or expense  
35 experience and other data as prescribed in the valuation manual.

1        NEW SECTION.    **Sec. 17.**    CONFIDENTIALITY.    (1) For purposes of this  
2 section, "confidential information" means:

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

8        (b) All documents, materials, and other information, including, but  
9 not limited to, all working papers, and copies thereof, created,  
10 produced, or obtained by or disclosed to the commissioner or any other  
11 person in the course of an examination made under section 14(6) of this  
12 act. However, if an examination report or other material prepared in  
13 connection with an examination made under chapter 48.03 RCW is not held  
14 as private and confidential information under chapter 48.03 RCW, an  
15 examination report or other material prepared in connection with an  
16 examination made under section 14(6) of this act shall not be  
17 "confidential information" to the same extent as if such examination  
18 report or other material had been prepared under chapter 48.03 RCW;

19        (c) Any reports, documents, materials, and other information  
20 developed by a company in support of, or in connection with, an annual  
21 certification by the company under section 15(2)(b) of this act  
22 evaluating the effectiveness of the company's internal controls with  
23 respect to a principle-based valuation and any other documents,  
24 materials, and other information, including, but not limited to, all  
25 working papers, and copies thereof, created, produced, or obtained by  
26 or disclosed to the commissioner or any other person in connection with  
27 such reports, documents, materials, and other information;

28        (d) Any principle-based valuation report developed under section  
29 15(2)(c) of this act and any other documents, materials, and other  
30 information, including, but not limited to, all working papers, and  
31 copies thereof, created, produced, or obtained by or disclosed to the  
32 commissioner or any other person in connection with such report; and

33        (e) Any documents, materials, data, and other information submitted  
34 by a company under section 16 of this act and any other documents,  
35 materials, data, and other information, including, but not limited to,  
36 all working papers, and copies thereof, created or produced in  
37 connection with such experience data, in each case that include any  
38 potentially company identifying or personally identifiable information,

1 that is provided to or obtained by the commissioner and any other  
2 documents, materials, data and other information, including, but not  
3 limited to, all working papers, and copies thereof, created, produced,  
4 or obtained by or disclosed to the commissioner or any other person in  
5 connection with such experience materials.

6 (2)(a) Except as provided in this section, a company's confidential  
7 information is confidential by law and privileged, and is not subject  
8 to chapter 42.56 RCW, is not subject to subpoena, and is not subject to  
9 discovery or admissible in evidence in any private civil action.  
10 However, the commissioner is authorized to use the confidential  
11 information in the furtherance of any regulatory or legal action  
12 brought against the company as a part of the commissioner's official  
13 duties.

14 (b) Neither the commissioner nor any person who received  
15 confidential information while acting under the authority of the  
16 commissioner is permitted or required to testify in any private civil  
17 action concerning any confidential information.

18 (c) In order to assist in the performance of the commissioner's  
19 duties, the commissioner may share confidential information (i) with  
20 other state, federal and international regulatory agencies and with the  
21 NAIC and its affiliates and subsidiaries, and (ii) in the case of  
22 confidential information specified in subsection (1)(a) and (d) of this  
23 section only, with the actuarial board for counseling and discipline or  
24 its successor upon request stating that the confidential information is  
25 required for the purpose of professional disciplinary proceedings and  
26 with state, federal, and international law enforcement officials. In  
27 the case of (c)(i) and (ii) of this subsection, the commission may  
28 share confidential information provided the recipient agrees, and has  
29 the legal authority to agree, to maintain the confidentiality and  
30 privileged status of such documents, materials, data, and other  
31 information in the same manner and to the same extent as required for  
32 the commissioner.

33 (d) The commissioner may receive documents, materials, data, and  
34 other information, including otherwise confidential and privileged  
35 documents, materials, data, or information, from the NAIC and its  
36 affiliates and subsidiaries, from regulatory or law enforcement  
37 officials of other foreign or domestic jurisdictions, and from the  
38 actuarial board for counseling and discipline or its successor and

1 shall maintain as confidential or privileged any document, material,  
2 data, or other information received with notice or the understanding  
3 that it is confidential or privileged under the laws of the  
4 jurisdiction that is the source of the document, material, or other  
5 information.

6 (e) The commissioner may enter into agreements governing sharing  
7 and use of information consistent with this subsection (2).

8 (f) No waiver of any applicable privilege or claim of  
9 confidentiality in the confidential information shall occur as a result  
10 of disclosure to the commissioner under this section or as a result of  
11 sharing as authorized in (c) of this subsection.

12 (g) A privilege established under the law of any state or  
13 jurisdiction that is substantially similar to the privilege established  
14 under this subsection shall be available and enforced in any proceeding  
15 in, and in any court of, this state.

16 (h) In this section "regulatory agency," "law enforcement agency,"  
17 and the "NAIC" include, but are not limited to, their employees,  
18 agents, consultants, and contractors.

19 (3) Notwithstanding subsection (2) of this section, any  
20 confidential information specified in subsection (1)(a) and (d) of this  
21 section:

22 (a) May be subject to subpoena for the purpose of defending an  
23 action seeking damages from the appointed actuary submitting the  
24 related memorandum in support of an opinion submitted under section 3  
25 of this act or principle-based valuation report developed under section  
26 15(2)(c) of this act by reason of an action required by this chapter or  
27 by rule;

28 (b) May otherwise be released by the commissioner with the written  
29 consent of the company; and

30 (c) Once any portion of a memorandum in support of an opinion  
31 submitted under section 3 of this act or a principle-based valuation  
32 report developed under section 15(2)(c) of this act is cited by the  
33 company in its marketing or is publicly volunteered to or before a  
34 governmental agency other than a state insurance department or is  
35 released by the company to the news media, all portions of such  
36 memorandum or report are no longer confidential.

1            NEW SECTION.        **Sec. 18.**        SINGLE STATE EXEMPTION.        (1) The

2 commissioner may exempt specific product forms or product lines of a  
3 domestic company that is licensed and doing business only in this  
4 state from the requirements of section 14 of this act provided:

5            (a) The commissioner has issued an exemption in writing to the  
6 company and has not subsequently revoked the exemption in writing; and

7            (b) The company computes reserves using assumptions and methods  
8 used prior to the operative date of the valuation manual in addition to  
9 any requirements established by the commissioner and adopted by rule.

10           (2) For any company granted an exemption under this section,  
11 sections 3 through 13 of this act shall be applicable. With respect to  
12 any company applying this exemption, any reference to section 14 of  
13 this act found in sections 3 through 13 of this act shall not be  
14 applicable.

15           **Sec. 19.**    RCW 42.56.400 and 2013 c 277 s 5 and 2013 c 65 s 5 are  
16 each reenacted and amended to read as follows:

17           The following information relating to insurance and financial  
18 institutions is exempt from disclosure under this chapter:

19           (1) Records maintained by the board of industrial insurance appeals  
20 that are related to appeals of crime victims' compensation claims filed  
21 with the board under RCW 7.68.110;

22           (2) Information obtained and exempted or withheld from public  
23 inspection by the health care authority under RCW 41.05.026, whether  
24 retained by the authority, transferred to another state purchased  
25 health care program by the authority, or transferred by the authority  
26 to a technical review committee created to facilitate the development,  
27 acquisition, or implementation of state purchased health care under  
28 chapter 41.05 RCW;

29           (3) The names and individual identification data of either all  
30 owners or all insureds, or both, received by the insurance commissioner  
31 under chapter 48.102 RCW;

32           (4) Information provided under RCW 48.30A.045 through 48.30A.060;

33           (5) Information provided under RCW 48.05.510 through 48.05.535,  
34 48.43.200 through 48.43.225, 48.44.530 through 48.44.555, and 48.46.600  
35 through 48.46.625;

36           (6) Examination reports and information obtained by the department  
37 of financial institutions from banks under RCW 30.04.075, from savings

1 banks under RCW 32.04.220, from savings and loan associations under RCW  
2 33.04.110, from credit unions under RCW 31.12.565, from check cashers  
3 and sellers under RCW 31.45.030(3), and from securities brokers and  
4 investment advisers under RCW 21.20.100, all of which is confidential  
5 and privileged information;

6 (7) Information provided to the insurance commissioner under RCW  
7 48.110.040(3);

8 (8) Documents, materials, or information obtained by the insurance  
9 commissioner under RCW 48.02.065, all of which are confidential and  
10 privileged;

11 (9) Confidential proprietary and trade secret information provided  
12 to the commissioner under RCW 48.31C.020 through 48.31C.050 and  
13 48.31C.070;

14 (10) Data filed under RCW 48.140.020, 48.140.030, 48.140.050, and  
15 7.70.140 that, alone or in combination with any other data, may reveal  
16 the identity of a claimant, health care provider, health care facility,  
17 insuring entity, or self-insurer involved in a particular claim or a  
18 collection of claims. For the purposes of this subsection:

19 (a) "Claimant" has the same meaning as in RCW 48.140.010(2).

20 (b) "Health care facility" has the same meaning as in RCW  
21 48.140.010(6).

22 (c) "Health care provider" has the same meaning as in RCW  
23 48.140.010(7).

24 (d) "Insuring entity" has the same meaning as in RCW 48.140.010(8).

25 (e) "Self-insurer" has the same meaning as in RCW 48.140.010(11);

26 (11) Documents, materials, or information obtained by the insurance  
27 commissioner under RCW 48.135.060;

28 (12) Documents, materials, or information obtained by the insurance  
29 commissioner under RCW 48.37.060;

30 (13) Confidential and privileged documents obtained or produced by  
31 the insurance commissioner and identified in RCW 48.37.080;

32 (14) Documents, materials, or information obtained by the insurance  
33 commissioner under RCW 48.37.140;

34 (15) Documents, materials, or information obtained by the insurance  
35 commissioner under RCW 48.17.595;

36 (16) Documents, materials, or information obtained by the insurance  
37 commissioner under RCW 48.102.051(1) and 48.102.140 (3) and (7)(a)(ii);



1 (17) Documents, materials, or information obtained by the insurance  
2 commissioner in the commissioner's capacity as receiver under RCW  
3 48.31.025 and 48.99.017, which are records under the jurisdiction and  
4 control of the receivership court. The commissioner is not required to  
5 search for, log, produce, or otherwise comply with the public records  
6 act for any records that the commissioner obtains under chapters 48.31  
7 and 48.99 RCW in the commissioner's capacity as a receiver, except as  
8 directed by the receivership court;

9 (18) Documents, materials, or information obtained by the insurance  
10 commissioner under RCW 48.13.151;

11 (19) Data, information, and documents provided by a carrier  
12 pursuant to section 1, chapter 172, Laws of 2010;

13 (20) Information in a filing of usage-based insurance about the  
14 usage-based component of the rate pursuant to RCW 48.19.040(5)(b);

15 (21) Data, information, and documents, other than those described  
16 in RCW 48.02.210(2), that are submitted to the office of the insurance  
17 commissioner by an entity providing health care coverage pursuant to  
18 RCW 28A.400.275 and 48.02.210; (~~and~~)

19 (22) Data, information, and documents obtained by the insurance  
20 commissioner under RCW 48.29.017; (~~and~~)

21 (23) Information not subject to public inspection or public  
22 disclosure under RCW 48.43.730(5); and

23 (24) Documents, materials, or information obtained by the insurance  
24 commissioner under chapter 48.74 RCW.

25 **Sec. 20.** RCW 42.56.400 and 2013 c 65 s 5 are each amended to read  
26 as follows:

27 The following information relating to insurance and financial  
28 institutions is exempt from disclosure under this chapter:

29 (1) Records maintained by the board of industrial insurance appeals  
30 that are related to appeals of crime victims' compensation claims filed  
31 with the board under RCW 7.68.110;

32 (2) Information obtained and exempted or withheld from public  
33 inspection by the health care authority under RCW 41.05.026, whether  
34 retained by the authority, transferred to another state purchased  
35 health care program by the authority, or transferred by the authority  
36 to a technical review committee created to facilitate the development,

1 acquisition, or implementation of state purchased health care under  
2 chapter 41.05 RCW;

3 (3) The names and individual identification data of either all  
4 owners or all insureds, or both, received by the insurance commissioner  
5 under chapter 48.102 RCW;

6 (4) Information provided under RCW 48.30A.045 through 48.30A.060;

7 (5) Information provided under RCW 48.05.510 through 48.05.535,  
8 48.43.200 through 48.43.225, 48.44.530 through 48.44.555, and 48.46.600  
9 through 48.46.625;

10 (6) Examination reports and information obtained by the department  
11 of financial institutions from banks under RCW 30.04.075, from savings  
12 banks under RCW 32.04.220, from savings and loan associations under RCW  
13 33.04.110, from credit unions under RCW 31.12.565, from check cashers  
14 and sellers under RCW 31.45.030(3), and from securities brokers and  
15 investment advisers under RCW 21.20.100, all of which is confidential  
16 and privileged information;

17 (7) Information provided to the insurance commissioner under RCW  
18 48.110.040(3);

19 (8) Documents, materials, or information obtained by the insurance  
20 commissioner under RCW 48.02.065, all of which are confidential and  
21 privileged;

22 (9) Confidential proprietary and trade secret information provided  
23 to the commissioner under RCW 48.31C.020 through 48.31C.050 and  
24 48.31C.070;

25 (10) Data filed under RCW 48.140.020, 48.140.030, 48.140.050, and  
26 7.70.140 that, alone or in combination with any other data, may reveal  
27 the identity of a claimant, health care provider, health care facility,  
28 insuring entity, or self-insurer involved in a particular claim or a  
29 collection of claims. For the purposes of this subsection:

30 (a) "Claimant" has the same meaning as in RCW 48.140.010(2).

31 (b) "Health care facility" has the same meaning as in RCW  
32 48.140.010(6).

33 (c) "Health care provider" has the same meaning as in RCW  
34 48.140.010(7).

35 (d) "Insuring entity" has the same meaning as in RCW 48.140.010(8).

36 (e) "Self-insurer" has the same meaning as in RCW 48.140.010(11);

37 (11) Documents, materials, or information obtained by the insurance  
38 commissioner under RCW 48.135.060;

1 (12) Documents, materials, or information obtained by the insurance  
2 commissioner under RCW 48.37.060;

3 (13) Confidential and privileged documents obtained or produced by  
4 the insurance commissioner and identified in RCW 48.37.080;

5 (14) Documents, materials, or information obtained by the insurance  
6 commissioner under RCW 48.37.140;

7 (15) Documents, materials, or information obtained by the insurance  
8 commissioner under RCW 48.17.595;

9 (16) Documents, materials, or information obtained by the insurance  
10 commissioner under RCW 48.102.051(1) and 48.102.140 (3) and (7)(a)(ii);

11 (17) Documents, materials, or information obtained by the insurance  
12 commissioner in the commissioner's capacity as receiver under RCW  
13 48.31.025 and 48.99.017, which are records under the jurisdiction and  
14 control of the receivership court. The commissioner is not required to  
15 search for, log, produce, or otherwise comply with the public records  
16 act for any records that the commissioner obtains under chapters 48.31  
17 and 48.99 RCW in the commissioner's capacity as a receiver, except as  
18 directed by the receivership court;

19 (18) Documents, materials, or information obtained by the insurance  
20 commissioner under RCW 48.13.151;

21 (19) Data, information, and documents provided by a carrier  
22 pursuant to section 1, chapter 172, Laws of 2010;

23 (20) Information in a filing of usage-based insurance about the  
24 usage-based component of the rate pursuant to RCW 48.19.040(5)(b);

25 (21) Data, information, and documents, other than those described  
26 in RCW 48.02.210(2), that are submitted to the office of the insurance  
27 commissioner by an entity providing health care coverage pursuant to  
28 RCW 28A.400.275 and 48.02.210; (~~and~~)

29 (22) Data, information, and documents obtained by the insurance  
30 commissioner under RCW 48.29.017; and

31 (23) Documents, materials, or information obtained by the insurance  
32 commissioner under chapter 48.74 RCW.

33 NEW SECTION. **Sec. 21.** The following acts or parts of acts are  
34 each repealed:

35 (1) RCW 48.74.010 (Short title--"NAIC" defined) and 1982 1st ex.s.  
36 c 9 s 1;

- 1 (2) RCW 48.74.020 (Valuation of reserve liabilities) and 1982 1st  
2 ex.s. c 9 s 2;
- 3 (3) RCW 48.74.025 (Reserves and related actuarial items--Opinion of  
4 a qualified actuary--Requirements for the opinion--Rules) and 1993 c  
5 462 s 85;
- 6 (4) RCW 48.74.030 (Minimum standard for valuation) and 1993 c 462  
7 s 86 & 1982 1st ex.s. c 9 s 3;
- 8 (5) RCW 48.74.040 (Amount of reserves required) and 1993 c 462 s 87  
9 & 1982 1st ex.s. c 9 s 4;
- 10 (6) RCW 48.74.050 (Minimum aggregate reserves) and 1993 c 462 s 88  
11 & 1982 1st ex.s. c 9 s 5;
- 12 (7) RCW 48.74.060 (Other methods of reserve calculation) and 1993  
13 c 462 s 89 & 1982 1st ex.s. c 9 s 6;
- 14 (8) RCW 48.74.070 (Minimum reserve if gross premium less than  
15 valuation net premium) and 1982 1st ex.s. c 9 s 7;
- 16 (9) RCW 48.74.080 (Procedure when specified methods of reserve  
17 determination unfeasible) and 1982 1st ex.s. c 9 s 8; and
- 18 (10) RCW 48.74.090 (Valuation of disability insurance) and 1993 c  
19 462 s 90.

20 NEW SECTION. **Sec. 22.** Sections 22 through 35 of this act may be  
21 known and cited as the standard nonforfeiture law for life insurance  
22 act.

23 NEW SECTION. **Sec. 23.** DEFINITION. "Operative date of the  
24 valuation manual" means the January 1st of the first calendar year that  
25 the valuation manual as described in section 14 of this act is  
26 effective.

27 NEW SECTION. **Sec. 24.** NONFORFEITURE BENEFITS. In the case of  
28 policies issued on and after the operative date of this section as  
29 defined in section 35 of this act, no policy of life insurance, except  
30 as stated in section 34 of this act, shall be delivered or issued for  
31 delivery in this state unless it shall contain in substance the  
32 following provisions, or corresponding provisions which in the opinion  
33 of the commissioner are at least as favorable to the defaulting or  
34 surrendering policyholder as are the minimum requirements specified in

1 this section and are essentially in compliance with section 33 of this  
2 act:

3 (1) That, in the event of default in any premium payment, the  
4 company will grant, upon proper request not later than sixty days after  
5 the due date of the premium in default, a paid-up nonforfeiture benefit  
6 on a plan stipulated in the policy, effective as of the due date, of  
7 such amount as may be specified. In lieu of the stipulated paid-up  
8 nonforfeiture benefit, the company may substitute, upon proper request  
9 not later than sixty days after the due date of the premium in default,  
10 an actuarially equivalent alternative paid-up nonforfeiture benefit  
11 which provides a greater amount or longer period of death benefits or,  
12 if applicable, a greater amount or earlier payment of endowment  
13 benefits.

14 (2) That, upon surrender of the policy within sixty days after the  
15 due date of any premium payment in default after premiums have been  
16 paid for at least three full years in the case of ordinary insurance or  
17 five full years in the case of industrial insurance, the company will  
18 pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender  
19 value of such amount as may be specified in this chapter.

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

24 (4) That if the policy shall have become paid-up by completion of  
25 all premium payments or if it is continued under any paid-up  
26 nonforfeiture benefit which became effective on or after the third  
27 policy anniversary in the case of ordinary insurance or the fifth  
28 policy anniversary in the case of industrial insurance, the company  
29 will pay, upon surrender of the policy within thirty days after any  
30 policy anniversary, a cash surrender value of such amount as may be  
31 specified in this chapter.

32 (5) In the case of policies which cause, on a basis guaranteed in  
33 the policy, unscheduled changes in benefits or premiums, or which  
34 provide an option for changes in benefits or premiums other than a  
35 change to a new policy; a statement of the mortality table, interest  
36 rate and method used in calculating cash surrender values, and the  
37 paid-up nonforfeiture benefits available under the policy. In the case  
38 of all other policies, a statement of the mortality table and interest

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

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

25 Any of the provisions of this section or portions thereof not  
26 applicable by reason of the plan of insurance may, to the extent  
27 inapplicable, be omitted from the policy.

28 The company shall reserve the right to defer the payment of any  
29 cash surrender value for a period of six months after demand therefor  
30 with surrender of the policy.

31 NEW SECTION. **Sec. 25.** COMPUTATION OF CASH SURRENDER VALUE. (1)  
32 Any cash surrender value available under the policy in the event of  
33 default in a premium payment due on any policy anniversary, whether or  
34 not required by section 24 of this act, shall be an amount not less  
35 than the excess, if any, of the present value, on the anniversary, of  
36 the future guaranteed benefits which would have been provided for by

1 the policy, including any existing paid-up additions, if there had been  
2 no default, over the sum of:

3 (a) The then present value of the adjusted premiums as defined in  
4 sections 27 through 30 of this act, corresponding to premiums which  
5 would have fallen due on and after the anniversary; and

6 (b) The amount of any indebtedness to the company on the policy.

7 (2) For any policy issued on or after the operative date of section  
8 30 of this act, which provides supplemental life insurance or annuity  
9 benefits at the option of the insured and for an identifiable  
10 additional premium by rider or supplemental policy provision, the cash  
11 surrender value referred to in subsection (1) of this section shall be  
12 an amount not less than the sum of the cash surrender value for an  
13 otherwise similar policy issued at the same age without the rider or  
14 supplemental policy provision and the cash surrender value as defined  
15 in subsection (1) of this section for a policy which provides only the  
16 benefits otherwise provided by such rider or supplemental policy  
17 provision.

18 (3) For any family policy issued on or after the operative date of  
19 section 30 of this act, which defines a primary insured and provides  
20 term insurance on the life of the spouse of the primary insured  
21 expiring before the spouse's age seventy-one, the cash surrender value  
22 referred to in subsection (1) of this section shall be an amount not  
23 less than the sum of the cash surrender value for an otherwise similar  
24 policy issued at the same age without such term insurance on the life  
25 of the spouse and the cash surrender value as defined in subsection (1)  
26 of this section for a policy which provides only the benefits otherwise  
27 provided by such term insurance on the life of the spouse.

28 (4) Any cash surrender value available within thirty days after any  
29 policy anniversary under any policy paid-up by completion of all  
30 premium payments or any policy continued under any paid-up  
31 nonforfeiture benefit, whether or not required by section 24 of this  
32 act, shall be an amount not less than the present value, on such  
33 anniversary, of future guaranteed benefits provided for by the policy,  
34 including any existing paid-up additions, decreased by any indebtedness  
35 to the company on the policy.

36 NEW SECTION. **Sec. 26.** COMPUTATION OF PAID-UP NONFORFEITURE  
37 BENEFITS. Any paid-up nonforfeiture benefit available under the policy

1 in the event of default in a premium payment due on any policy  
2 anniversary shall be such that its present value as of such anniversary  
3 shall be at least equal to the cash surrender value then provided for  
4 by the policy or, if none is provided for, that cash surrender value  
5 which would have been required by this chapter in the absence of the  
6 condition that premiums shall have been paid for at least a specified  
7 period.

8 NEW SECTION. **Sec. 27.** CALCULATION OF ADJUSTED PREMIUMS. (1) This  
9 section does not apply to policies issued on or after the operative  
10 date of section 30 of this act. Except as provided in subsection (3)  
11 of this section, the adjusted premiums for any policy shall be  
12 calculated on an annual basis and shall be such uniform percentage of  
13 the respective premiums specified in the policy for each policy year,  
14 excluding amounts stated in the policy as extra premiums to cover  
15 impairments or special hazards, that the present value, at the date of  
16 issue of the policy, of all such adjusted premiums shall be equal to  
17 the sum of:

18 (a) The then present value of the future guaranteed benefits  
19 provided for by the policy;

20 (b) Two percent of the amount of insurance, if the insurance be  
21 uniform in amount, or of the equivalent uniform amount, as defined, if  
22 the amount of insurance varies with duration of the policy;

23 (c) Forty percent of the adjusted premium for the first policy  
24 year;

25 (d) Twenty-five percent of either the adjusted premium for the  
26 first policy year or the adjusted premium for a whole life policy of  
27 the same uniform or equivalent uniform amount with uniform premiums for  
28 the whole of life issued at the same age for the same amount of  
29 insurance, whichever is less.

30 However, in applying the percentages specified in (c) and (d) of  
31 this subsection, an adjusted premium may not exceed four percent of the  
32 amount of insurance or level amount equivalent. The date of issue of  
33 a policy for the purpose of this section shall be the date as of which  
34 the rated age of the insured is determined.

35 (2) In the case of a policy providing an amount of insurance  
36 varying with duration of the policy, the equivalent level amount for  
37 the purpose of this section shall be deemed to be the level amount of



1 insurance provided by an otherwise similar policy, containing the same  
2 endowment benefit or benefits, if any, issued at the same age and for  
3 the same term, the amount of which does not vary with duration and the  
4 benefits under which have the same present value at the inception of  
5 the insurance as the benefits under the policy.

6 (3)(a) The adjusted premiums for any policy providing term  
7 insurance benefits by rider or supplemental policy provision shall be  
8 equal to (i) the adjusted premiums for an otherwise similar policy  
9 issued at the same age without such term insurance benefits, increased,  
10 during the period for which premiums for such term insurance benefits  
11 are payable, by (ii) the adjusted premiums for such term insurance.

12 (b)(a)(i) and (ii) of this subsection are calculated separately and  
13 as specified in subsections (1) and (2) of this section except that,  
14 for the purposes of subsection (1)(b), (c), and (d) of this section,  
15 the amount of insurance or equivalent uniform amount of insurance used  
16 in the calculation of the adjusted premiums referred to in subsection  
17 (1)(b) of this section shall be equal to the excess of the  
18 corresponding amount determined for the entire policy over the amount  
19 used in the calculation of the adjusted premiums in (a)(i) of this  
20 subsection.

21 (c) Except as otherwise provided in sections 28 and 29 of this act,  
22 all adjusted premiums and present values referred to in this chapter  
23 for all policies of ordinary insurance must be calculated on the basis  
24 of the commissioners 1941 standard ordinary mortality table. However,  
25 for any category of ordinary insurance issued on female risks on or  
26 after July 1, 1957, adjusted premiums and present values may be  
27 calculated according to any age not more than three years younger than  
28 the actual age of the insured and such calculations for all policies of  
29 industrial insurance shall be made on the basis of the 1941 standard  
30 industrial mortality table. All calculations shall be made on the  
31 basis of the rate of interest, not exceeding three and one-half percent  
32 per annum, specified in the policy for calculating cash surrender  
33 values and paid-up nonforfeiture benefits. However, in calculating the  
34 present value of any paid-up term insurance with accompanying pure  
35 endowment, if any, offered as a nonforfeiture benefit, the rates of  
36 mortality assumed may be not more than one hundred thirty percent of  
37 the rates of mortality according to the applicable table. For  
38 insurance issued on a substandard basis, the calculation of any

1 adjusted premiums and present values may be based on such other table  
2 of mortality as may be specified by the company and approved by the  
3 commissioner.

4 NEW SECTION. **Sec. 28.** CALCULATION OF ADJUSTED PREMIUMS--ORDINARY  
5 POLICIES. This section does not apply to ordinary policies issued on  
6 or after the operative date of section 30 of this act. In the case of  
7 ordinary policies issued on or after the operative date of this  
8 section, all adjusted premiums and present values referred to in this  
9 chapter shall be calculated on the basis of the commissioners 1958  
10 standard ordinary mortality table and the rate of interest specified in  
11 the policy for calculating cash surrender values and paid-up  
12 nonforfeiture benefits provided that such rate of interest shall not  
13 exceed three and one-half percent per annum except that a rate of  
14 interest not exceeding four percent per annum may be used for policies  
15 issued on or after July 16, 1973, and prior to September 1, 1979, and  
16 a rate of interest not exceeding five and one-half percent per annum  
17 may be used; for policies issued on or after September 1, 1979, except  
18 that for any single premium whole life or endowment insurance policy,  
19 a rate of interest not exceeding six and one-half percent per annum may  
20 be used; and for any category of ordinary insurance issued on female  
21 risks, adjusted premiums and present values may be calculated according  
22 to an age not more than six years younger than the actual age of the  
23 insured. However, in calculating the present value of any paid-up term  
24 insurance with accompanying pure endowment, if any, offered as a  
25 nonforfeiture benefit, the rates of mortality assumed may be not more  
26 than those shown in the commissioners 1958 extended term insurance  
27 table. For insurance issued on a substandard basis, the calculation of  
28 any adjusted premiums and present values may be based on such other  
29 table of mortality as may be specified by the company and approved by  
30 the commissioner.

31 After June 11, 1959, any company may file with the commissioner a  
32 written notice of its election to comply with the provisions of this  
33 section after a specified date before January 1, 1966. After the  
34 filing of such notice, upon the specified date (which shall be the  
35 operative date of this section for that company), this section shall  
36 become operative with respect to the ordinary policies thereafter

1 issued by the company. If a company makes no election, the operative  
2 date of this section for the company shall be January 1, 1966.

3 NEW SECTION. **Sec. 29.** CALCULATION OF ADJUSTED PREMIUMS--  
4 INDUSTRIAL POLICIES. This section does not apply to industrial  
5 policies issued on or after the operative date of section 30 of this  
6 act. In the case of industrial policies issued on or after the  
7 operative date of this section, all adjusted premiums and present  
8 values referred to in this chapter shall be calculated on the basis of  
9 the commissioners 1961 standard industrial mortality table and the rate  
10 of interest specified in the policy for calculating cash surrender  
11 values and paid-up nonforfeiture benefits provided that such rate of  
12 interest shall not exceed three and one-half percent per annum, except  
13 that a rate of interest not exceeding four percent per annum may be  
14 used for policies issued on or after July 16, 1973, and prior to  
15 September 1, 1979, and a rate of interest not exceeding five and one-  
16 half percent per annum may be used for policies issued on or after  
17 September 1, 1979, except that for any single premium whole life or  
18 endowment insurance policy a rate of interest not exceeding six and  
19 one-half percent per annum may be used. However, in calculating the  
20 present value of any paid-up term insurance with accompanying pure  
21 endowment, if any, offered as a nonforfeiture benefit, the rates of  
22 mortality assumed may be not more than those shown in the commissioners  
23 1961 industrial extended term insurance table. For insurance issued on  
24 a substandard basis, the calculations of any such adjusted premiums and  
25 present values may be based on such other table of mortality as may be  
26 specified by the company and approved by the commissioner.

27 After July 10, 1982, any company may file with the commissioner a  
28 written notice of its election to comply with the provisions of this  
29 section after a specified date before January 1, 1968. After the  
30 filing of such notice, upon the specified date (which shall be the  
31 operative date of this section for that company), this section shall  
32 become operative with respect to the industrial policies thereafter  
33 issued by the company. If a company makes no election, the operative  
34 date of this section for the company shall be January 1, 1968.

35 NEW SECTION. **Sec. 30.** CALCULATIONS OF ADJUSTED PREMIUMS BY THE  
36 NONFORFEITURE NET LEVEL PREMIUM METHOD. (1) This section applies to

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

12 (a) The then present value of the future guaranteed benefits  
13 provided for by the policy;

14 (b) One percent of either the amount of insurance, if the insurance  
15 be uniform in amount, or the average amount of insurance at the  
16 beginning of each of the first ten policy years; and

17 (c) One hundred twenty-five percent of the nonforfeiture net level  
18 premium as defined. However, in applying the percentage specified in  
19 this subsection (1)(c) no nonforfeiture net level premium shall be  
20 deemed to exceed four percent of either the amount of insurance, if the  
21 insurance be uniform in amount, or the average amount of insurance at  
22 the beginning of each of the first ten policy years. The date of issue  
23 of a policy for the purpose of this section shall be the date as of  
24 which the rated age of the insured is determined.

25 (2) The nonforfeiture net level premium shall be equal to the  
26 present value, at the date of issue of the policy, of the guaranteed  
27 benefits provided for by the policy divided by the present value, at  
28 the date of issue of the policy, of an annuity of one per annum payable  
29 on the date of issue of the policy and on each anniversary of the  
30 policy on which a premium falls due.

31 (3) In the case of policies which cause, on a basis guaranteed in  
32 the policy, unscheduled changes in benefits or premiums; or which  
33 provide an option for changes in benefits or premiums, other than a  
34 change to a new policy; the adjusted premiums and present values shall  
35 initially be calculated on the assumption that future benefits and  
36 premiums do not change from those stipulated at the date of issue of  
37 the policy. At the time of any change in the benefits or premiums, the  
38 future adjusted premiums, nonforfeiture net level premiums, and present

1 values shall be recalculated on the assumption that future benefits and  
2 premiums do not change from those stipulated by the policy immediately  
3 after the change.

4 (4) Except as otherwise provided in subsection (7) of this section,  
5 the recalculated future adjusted premiums for any policy shall be  
6 uniform percentage of the respective future premiums specified in the  
7 policy for each policy year, excluding amounts payable as extra  
8 premiums to cover impairments and special hazards, and also excluding  
9 any uniform annual contract charge or policy fee specified in the  
10 policy in a statement of the method to be used in calculating the cash  
11 surrender values and paid-up nonforfeiture benefits, that the present  
12 value, at the time of change to the newly defined benefits or premiums,  
13 of all such future adjusted premiums shall be equal to the excess of  
14 (a) the sum of (i) the then present value of the then future guaranteed  
15 benefits provided for by the policy, and (ii) the additional expense  
16 allowance, if any, over (b) the then cash surrender value, if any, or  
17 present value of any paid-up nonforfeiture benefit under this policy.

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

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

26 (b) One hundred twenty-five percent of the increase, if positive,  
27 in the nonforfeiture net level premium.

28 (6) The recalculated nonforfeiture net level premium shall be equal  
29 to the result obtained by dividing (a) by (b) of this subsection (6)  
30 where:

31 (a) Equals the sum of (i) the nonforfeiture net level premium  
32 applicable prior to the change times the present value of an annuity of  
33 one per annum payable on each anniversary of the policy on or  
34 subsequent to the date of the change on which a premium would have  
35 fallen due had the change not occurred, and (ii) the present value of  
36 the increase in future guaranteed benefits provided for by the policy;  
37 and

1 (b) Equals the present value of an annuity of one per annum payable  
2 on each anniversary of the policy on or subsequent to the date of  
3 change on which a premium falls due.

4 (7) Notwithstanding any other provisions of this section to the  
5 contrary, in the case of a policy issued on a substandard basis which  
6 provides reduced graded amounts of insurance so that, in each policy  
7 year, the policy has the same tabular mortality cost as an otherwise  
8 similar policy issued on the standard basis which provides higher  
9 uniform amounts of insurance, adjusted premiums and present values for  
10 the substandard policy may be calculated as if it were issued to  
11 provide higher uniform amounts of insurance on the standard basis.

12 (8) All adjusted premiums and present values referred to in this  
13 chapter shall for all policies of ordinary insurance be calculated on  
14 the basis of the commissioners 1980 standard ordinary mortality table;  
15 or at the election of the company for any one or more specified plans  
16 of life insurance, the commissioners 1980 standard ordinary mortality  
17 table with ten-year select mortality factors; shall for all policies of  
18 industrial insurance be calculated on the basis of the commissioners  
19 1961 standard industrial mortality table; and shall for all policies  
20 issued in a particular calendar year be calculated on the basis of a  
21 rate of interest not exceeding the nonforfeiture interest rate as  
22 defined in this section, for policies issued in that calendar year,  
23 subject to the following provisions:

24 (a) At the option of the company, calculations for all policies  
25 issued in a particular calendar year may be made on the basis of a rate  
26 of interest not exceeding the nonforfeiture interest rate, as defined  
27 in this section, for policies issued in the immediately preceding  
28 calendar year.

29 (b) Under any paid-up nonforfeiture benefit, including any paid-up  
30 dividend additions, any cash surrender value available, whether or not  
31 required by section 24 of this act, shall be calculated on the basis of  
32 the mortality table and rate of interest used in determining the amount  
33 of such paid-up nonforfeiture benefit and paid-up dividend additions,  
34 if any.

35 (c) A company may calculate the amount of any guaranteed paid-up  
36 nonforfeiture benefit including any paid-up additions under the policy  
37 on the basis of an interest rate no lower than that specified in the  
38 policy for calculating cash surrender values.

1 (d) In calculating the present value of any paid-up term insurance  
2 with accompanying pure endowment, if any, offered as a nonforfeiture  
3 benefit, the rates of mortality assumed may be not more than those  
4 shown in the commissioners 1980 extended term insurance table for  
5 policies of ordinary insurance and not more than the commissioners 1961  
6 industrial extended term insurance table for policies of industrial  
7 insurance.

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

11 (f) For policies issued prior to the operative date of the  
12 valuation manual, any commissioners standard ordinary mortality tables,  
13 adopted after 1980 by the national association of insurance  
14 commissioners, that are approved by rule adopted by the commissioner  
15 for use in determining the minimum nonforfeiture standard may be  
16 substituted for the commissioners 1980 standard ordinary mortality  
17 table with or without ten-year select mortality factors or for the  
18 commissioners 1980 extended term insurance table.

19 For policies issued on or after the operative date of the valuation  
20 manual the valuation manual shall provide the commissioners standard  
21 mortality table for use in determining the minimum nonforfeiture  
22 standard that may be substituted for the commissioners 1980 standard  
23 ordinary mortality table with or without ten-year select mortality  
24 factors or for the commissioners 1980 extended term insurance table.  
25 If the commissioner approves by rule any commissioners standard  
26 ordinary mortality table adopted by the national association of  
27 insurance commissioners for use in determining the minimum  
28 nonforfeiture standard for policies issued on or after the operative  
29 date of the valuation manual then that minimum nonforfeiture standard  
30 supersedes the minimum nonforfeiture standard provided by the valuation  
31 manual.

32 (g) For policies issued prior to the operative date of the  
33 valuation manual, any commissioners standard industrial mortality  
34 tables, adopted after 1980 by the national association of insurance  
35 commissioners, that are approved by rule adopted by the commissioner  
36 for use in determining the minimum nonforfeiture standard may be  
37 substituted for the commissioners 1961 standard industrial mortality

1 table or the commissioners 1961 industrial extended term insurance  
2 table.

3 For policies issued on or after the operative date of the valuation  
4 manual, the valuation manual shall provide the commissioners standard  
5 mortality table for use in determining the minimum nonforfeiture  
6 standard that may be substituted for the commissioners 1961 standard  
7 industrial mortality table or the commissioners 1961 industrial  
8 extended term insurance table. If the commissioner approves by rule  
9 any commissioners standard industrial mortality table adopted by the  
10 national association of insurance commissioners for use in determining  
11 the minimum nonforfeiture standard for policies issued on or after the  
12 operative date of the valuation manual then that minimum nonforfeiture  
13 standard supersedes the minimum nonforfeiture standard provided by the  
14 valuation manual.

15 (9) The nonforfeiture interest rate is defined as follows:

16 (a) For policies issued prior to the operative date of the  
17 valuation manual, the nonforfeiture interest rate per annum for any  
18 policy issued in a particular calendar year shall be equal to one  
19 hundred twenty-five percent of the calendar year statutory valuation  
20 interest rate for such policy as defined in the standard valuation law,  
21 rounded to the nearer one-quarter of one percent. However, the  
22 nonforfeiture interest rate shall not be less than four percent; and

23 (b) For policies issued on and after the operative date of the  
24 valuation manual, the nonforfeiture interest rate per annum for any  
25 policy issued in a particular calendar year shall be provided by the  
26 valuation manual.

27 (10) Notwithstanding any other provision in this chapter to the  
28 contrary, any refiling of nonforfeiture values or their methods of  
29 computation for any previously approved policy form which involves only  
30 a change in the interest rate or mortality table used to compute  
31 nonforfeiture values shall not require refiling of any other provisions  
32 of that policy form.

33 (11) After July 10, 1982, any company may file with the  
34 commissioner a written notice of its election to comply with the  
35 provision of this section after a specified date before January 1,  
36 1989, which shall be the operative date of this section for the  
37 company. If a company makes no election, the operative date of this  
38 section for the company shall be January 1, 1989.



1        NEW SECTION.    **Sec. 31.**    NONFORFEITURE BENEFITS FOR INDETERMINATE  
2 PREMIUM PLANS.    In the case of any plan of life insurance which  
3 provides for future premium determination, the amounts of which are to  
4 be determined by the insurance company based on estimates of future  
5 experience, or in the case of any plan of life insurance which is of  
6 such a nature that minimum values cannot be determined by the methods  
7 described in sections 24 through 30 of this act, then:

8        (1) The commissioner must be satisfied that the benefits provided  
9 under the plan are substantially as favorable to policyholders and  
10 insureds as the minimum benefits otherwise required by sections 24  
11 through 30 of this act;

12        (2) The commissioner must be satisfied that the benefits and the  
13 pattern of premiums of that plan are not such as to mislead prospective  
14 policyholders or insureds;

15        (3) The cash surrender values and paid-up nonforfeiture benefits  
16 provided by such plan must not be less than the minimum values and  
17 benefits required for the plan computed by a method consistent with the  
18 principles of this standard nonforfeiture law for life insurance, as  
19 determined by rules adopted by the commissioner.

20        NEW SECTION.    **Sec. 32.**    PRORATION OF VALUES; NET VALUE OF PAID-UP  
21 ADDITIONS.    Any cash surrender value and any paid-up nonforfeiture  
22 benefit, available under the policy in the event of default in a  
23 premium payment due at any time other than on the policy anniversary,  
24 shall be calculated with allowance for the lapse of time and the  
25 payment of fractional premiums beyond the last preceding policy  
26 anniversary. All values referred to in sections 25 through 30 of this  
27 act may be calculated upon the assumption that any death benefit is  
28 payable at the end of the policy year of death. The net value of any  
29 paid-up additions, other than paid-up term additions, shall not be less  
30 than the amounts used to provide such additions. Notwithstanding the  
31 provisions of section 25 of this act, additional benefits payable:

32        (1) In the event of death or dismemberment by accident or  
33 accidental means;

34        (2) In the event of total and permanent disability;

35        (3) As reversionary annuity or deferred reversionary annuity  
36 benefits;

1 (4) As term insurance benefits provided by a rider or supplemental  
2 policy provision to which, if issued as a separate policy, this chapter  
3 would not apply;

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

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

15 NEW SECTION. **Sec. 33.** CONSISTENCY OF PROGRESSION OF CASH  
16 SURRENDER VALUES WITH INCREASING POLICY DURATION. (1) This section, in  
17 addition to all other applicable sections of this chapter, shall apply  
18 to all policies issued on or after January 1, 1986. Any cash surrender  
19 value available under the policy in the event of default in a premium  
20 payment due on any policy anniversary shall be in an amount which does  
21 not differ by more than two-tenths of one percent of either the amount  
22 of insurance, if the insurance be uniform in amount, or the average  
23 amount of insurance at the beginning of each of the first ten policy  
24 years, from the sum of:

25 (a) The greater of zero and the basic cash value specified; and

26 (b) The present value of any existing paid-up additions less the  
27 amount of any indebtedness to the company under the policy.

28 (2) The basic cash value shall be equal to the present value, on  
29 such anniversary, of the future guaranteed benefits which would have  
30 been provided for by the policy, excluding any existing paid-up  
31 additions and before deduction of any indebtedness to the company, if  
32 there had been no default, less the then present value of the  
33 nonforfeiture factors, as defined in this chapter, corresponding to  
34 premiums which would have fallen due on and after the anniversary.  
35 However, the effects on the basic cash value of supplemental life  
36 insurance or annuity benefits or of family coverage, as described in  
37 section 25 or 27 of this act, whichever is applicable, shall be the

1 same as the effects specified in section 25 or 27 of this act,  
2 whichever is applicable, on the cash surrender values defined in that  
3 section.

4 (3) The nonforfeiture factor for each policy year shall be an  
5 amount equal to a percentage of the adjusted premium for the policy  
6 year, as defined in section 27 or 30 of this act, whichever is  
7 applicable. Except as is required by this subsection, the percentage:

8 (a) Must be the same percentage for each policy year between the  
9 second policy anniversary and the later of:

10 (i) The fifth policy anniversary; and

11 (ii) The first policy anniversary at which there is available under  
12 the policy a cash surrender value in an amount, before including any  
13 paid-up additions and before deducting any indebtedness, of at least  
14 two-tenths of one percent of either the amount of insurance, if the  
15 insurance be uniform in amount, or the average amount of insurance at  
16 the beginning of each of the first ten policy years; and

17 (b) Must be such that no percentage after the later of the two  
18 policy anniversaries specified in (a) of this subsection may apply to  
19 fewer than five consecutive policy years. No basic cash value may be  
20 less than the value which would be obtained if the adjusted premiums  
21 for the policy, as defined in section 30 of this act, were substituted  
22 for the nonforfeiture factors in the calculation of the basic cash  
23 value.

24 (4) All adjusted premiums and present values referred to in this  
25 section shall for a particular policy be calculated on the same  
26 mortality and interest bases as are used in demonstrating the policy's  
27 compliance with the other sections of this chapter. The cash surrender  
28 values referred to in this section shall include any endowment benefits  
29 provided for by the policy.

30 (5)(a) Any cash surrender value available other than in the event  
31 of default in a premium payment due on a policy anniversary, and the  
32 amount of any paid-up nonforfeiture benefit available under the policy  
33 in the event of default in a premium payment shall be determined in  
34 manners consistent with the manners specified for determining the  
35 analogous minimum amounts in sections 24 through 26, 30, and 32 of this  
36 act.

37 (b) The amounts of any cash surrender values and of any paid-up

1 nonforfeiture benefits granted in connection with additional benefits  
2 such as those listed in section 32 (1) through (6) of this act shall  
3 conform with the principles of this section.

4 NEW SECTION. **Sec. 34.** EXCEPTIONS. This chapter does not apply to  
5 any of the following:

6 (1) Reinsurance;

7 (2) Group insurance;

8 (3) Pure endowment;

9 (4) Annuity or reversionary annuity contract;

10 (5) A term policy of uniform amount, which provides no guaranteed  
11 nonforfeiture or endowment benefits, or renewal thereof, of twenty  
12 years or less expiring before age seventy-one, for which uniform  
13 premiums are payable during the entire term of the policy;

14 (6) A term policy of decreasing amount, which provides no  
15 guaranteed nonforfeiture or endowment benefits, on which each adjusted  
16 premium, calculated as specified in sections 27 through 30 of this act,  
17 is less than the adjusted premium so calculated, on a term policy of  
18 uniform amount, or renewal thereof, which provides no guaranteed  
19 nonforfeiture or endowment benefits, issued at the same age and for the  
20 same initial amount of insurance and for a term of twenty years or less  
21 expiring before age seventy-one, for which uniform premiums are payable  
22 during the entire term of the policy;

23 (7) A policy, which provides no guaranteed nonforfeiture or  
24 endowment benefits, for which no cash surrender value, if any, or  
25 present value of any paid-up nonforfeiture benefit, at the beginning of  
26 any policy year, calculated as specified in sections 25 through 30 of  
27 this act, exceeds two and one-half percent of the amount of insurance  
28 at the beginning of the same policy year; and

29 (8) A policy which shall be delivered outside this state through an  
30 insurance producer or other representative of the company issuing the  
31 policy.

32 For purposes of determining the applicability of this chapter, the  
33 age at expiration for a joint term life insurance policy shall be the  
34 age at expiration of the oldest life.

35 NEW SECTION. **Sec. 35.** EFFECTIVE DATE. After July 10, 1982, any

1 company may file with the commissioner a written notice of its election  
2 to comply with the provisions of this chapter after a specified date  
3 before January 1, 1948.

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

9 NEW SECTION. **Sec. 36.** Sections 1 through 19 of this act take  
10 effect January 1, 2016.

11 NEW SECTION. **Sec. 37.** Section 19 of this act expires July 1,  
12 2017.

13 NEW SECTION. **Sec. 38.** Section 20 of this act takes effect July 1,  
14 2017.

15 NEW SECTION. **Sec. 39.** Sections 1 through 18 of this act are each  
16 added to chapter 48.74 RCW.

17 NEW SECTION. **Sec. 40.** Sections 22 through 35 of this act are each  
18 added to chapter 48.76 RCW.

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