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**Jane Dee Hull
Secretary of State**

CHAPTER 92

SENATE BILL 1020

AN ACT

AMENDING SECTIONS 20-234, 20-488, 20-488.01, 20-488.02, 20-488.07, 20-488.08, 20-488.09, 20-615, 20-619 AND 20-882, ARIZONA REVISED STATUTES; AMENDING TITLE 20, CHAPTER 2, ARTICLE 12, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-488.11; CHANGING THE DESIGNATION OF TITLE 20, CHAPTER 2, ARTICLE 12, ARIZONA REVISED STATUTES, TO "RISK-BASED CAPITAL FOR INSURERS"; AMENDING TITLE 20, CHAPTER 3, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 8; AMENDING TITLE 20, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 16; RELATING TO INSURANCE REGULATION.

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-234, Arizona Revised Statutes, is amended to
3 read:

4 20-234. Filing requirement; participation in the insurance
5 regulatory information system

6 A. On or before March 1 of each year or on or before the earliest date
7 the company is required to file an annual statement with any state if later,
8 each domestic, foreign and alien insurer ~~who~~ THAT is authorized to transact
9 insurance in this state shall file with the national association of insurance
10 commissioners a copy of its annual statement convention blank, along with any
11 additional filings that are prescribed by the director for the preceding
12 year. The filed information shall be in the format and scope that are
13 required by the director and shall include the signed jurat page and the
14 actuarial certification. Any amendments and addendums to the annual
15 statement filing that are filed subsequently with the director also shall be
16 filed with the national association of insurance commissioners. IF THE
17 DIRECTOR REQUIRES AN INSURER THAT IS ADMITTED TO TRANSACT INSURANCE BY MORE

1 THAN ONE STATE TO FILE A QUARTERLY FINANCIAL STATEMENT, THE INSURER SHALL
2 ALSO FILE THE QUARTERLY STATEMENT ON DISKETTE OR ANOTHER ELECTRONIC MEDIUM
3 DESIGNATED BY THE DIRECTOR WITH THE NATIONAL ASSOCIATION OF INSURANCE
4 COMMISSIONERS.

5 B. In the absence of actual malice, members of the national
6 association of insurance commissioners, their duly authorized committees,
7 subcommittees, task forces, delegates and employees and all other persons who
8 are charged with the responsibility of collecting, reviewing, analyzing and
9 disseminating the information contained in the annual statement convention
10 blanks are agents of the director and are not subject to civil liability for
11 libel, slander or other cause of action relating to the collection, review,
12 analysis or dissemination of the data and information that are collected.

13 C. All financial analysis ratios and examination synopses concerning
14 insurance companies that are submitted to the department by the national
15 association of insurance commissioners' insurance regulatory information
16 system are confidential and shall not be disclosed by the department.

17 D. The director may suspend, revoke or refuse to renew the certificate
18 of authority of any insurer failing to file its annual statement when due or
19 within an extension of time that the director, for good cause, may have
20 granted.

21 E. A foreign insurer that is domiciled in a state which has a statute
22 substantially similar to subsection A ~~of this section~~ and has complied with
23 that statute is exempt from the requirements of this section.

24 F. This section does not apply to domestic life and disability
25 reinsurers authorized to transact insurance pursuant to chapter 4, article
26 10 of this title.

27 Sec. 2. Heading change

28 The article heading of title 20, chapter 2, article 12, Arizona Revised
29 Statutes, is changed from "RISK-BASED CAPITAL FOR LIFE OR HEALTH INSURERS"
30 to "RISK-BASED CAPITAL FOR INSURERS".

31 Sec. 3. Section 20-488, Arizona Revised Statutes, is amended to read:

32 20-488. Definitions

33 In this article, unless the context otherwise requires:

34 1. "Adjusted RBC report" means a report that has been adjusted by the
35 director in accordance with section 20-488.01.

36 2. "Authorized control level RBC" means the number determined under
37 the risk-based capital formula in accordance with the RBC instructions.

38 3. "Company action level RBC" means, with respect to any insurer, the
39 product of 2.0 and its authorized control level RBC.

40 4. "Corrective order" means an order that is issued by the director
41 and that specifies corrective actions that the director has determined are
42 required.

1 5. "Domestic insurer" means ~~a life or health~~ AN insurance company
2 authorized to transact insurance business and organized in this state.

3 6. "Foreign insurer" means ~~a life or health~~ AN insurance company
4 authorized to transact insurance business in this state but not domiciled in
5 this state.

6 7. "LIFE OR HEALTH INSURER" MEANS AN INSURER AUTHORIZED TO TRANSACT
7 LIFE INSURANCE, ANNUITIES OR ACCIDENT AND HEALTH INSURANCE IN THIS STATE, OR
8 AN AUTHORIZED PROPERTY AND CASUALTY INSURER WRITING ONLY ACCIDENT AND HEALTH
9 INSURANCE, BUT DOES NOT INCLUDE FRATERNAL BENEFIT SOCIETIES, HOSPITAL,
10 MEDICAL, DENTAL AND OPTOMETRIC SERVICE CORPORATIONS, HEALTH CARE SERVICES
11 ORGANIZATIONS, PREPAID DENTAL PLAN ORGANIZATIONS OR BENEFIT INSURERS.

12 ~~7-~~ 8. "Mandatory control level RBC" means the product of .70 and the
13 authorized control level RBC.

14 ~~8-~~ 9. "Negative trend" means, WITH RESPECT TO A LIFE OR HEALTH
15 INSURER, a negative trend over a period of time as determined in accordance
16 with the trend test calculation included in the RBC instructions.

17 10. "PROPERTY AND CASUALTY INSURER" MEANS AN INSURER LICENSED TO
18 TRANSACT INSURANCE AS DESCRIBED IN SECTIONS 20-252 AND 20-256 BUT DOES NOT
19 INCLUDE MONOLINE MORTGAGE GUARANTY INSURERS, FINANCIAL GUARANTY INSURERS AND
20 TITLE INSURERS.

21 ~~9-~~ 11. "RBC" means risk-based capital.

22 ~~10-~~ 12. "RBC instructions" means the RBC report, including risk-based
23 capital instructions adopted by the national association of insurance
24 commissioners.

25 ~~11-~~ 13. "RBC level" means an insurer's company action level RBC,
26 regulatory action level RBC, authorized control level RBC or mandatory
27 control level RBC.

28 ~~12-~~ 14. "RBC plan" means a comprehensive financial plan containing the
29 elements specified in section 20-488.02, subsection A. If the director
30 rejects the RBC plan and the insurer revises the plan, regardless of the
31 director's recommendation, the plan shall be called the revised RBC plan.

32 ~~13-~~ 15. "RBC report" means the report required under section
33 20-488.01.

34 ~~14-~~ 16. "Regulatory action level RBC" means the product of 1.5 and an
35 insurer's authorized control level RBC.

36 ~~15-~~ 17. "Total adjusted capital" means the sum of:

37 (a) An insurer's statutory capital and surplus.

38 (b) Any other items that the RBC instructions may provide.

39 Sec. 4. Section 20-488.01, Arizona Revised Statutes, is amended to
40 read:

41 20-488.01. Risk-based capital reports

42 A. On or before the later of March ~~15~~ 1 or its annual statement filing
43 due date, each domestic insurer shall annually prepare and submit to the
44 director a report of the insurer's RBC levels as of the end of the previous

1 calendar year. The RBC report shall be in a form and shall contain that
2 information that is required by the RBC instructions. Each domestic insurer
3 shall file its RBC report with both:

4 1. The national association of insurance commissioners in accordance
5 with the RBC instructions.

6 2. The insurance director in any state in which the insurer is
7 authorized to transact insurance business on the written request of the
8 insurance director. The insurer shall file its RBC report not later than
9 fifteen days after receiving notice to file its RBC report with that state
10 or the filing date specified in this subsection, whichever is later.

11 B. ~~AN~~ A LIFE OR HEALTH insurer's RBC shall be determined in accordance
12 with the formula set forth in the RBC instructions. The formula shall take
13 into account and may adjust for the covariance between THE FOLLOWING RISKS
14 THAT ARE DETERMINED IN EACH CASE BY APPLYING THE FACTORS IN THE MANNER SET
15 FORTH IN THE RBC INSTRUCTIONS:

16 1. The risk with respect to the insurer's assets.

17 2. The risk of adverse insurance experience with respect to the
18 insurer's liabilities and obligations.

19 3. The interest rate risk with respect to the insurer's business.

20 4. All other business risks and any other relevant risks that are set
21 forth in the RBC instructions.

22 C. A PROPERTY AND CASUALTY INSURER'S RBC SHALL BE DETERMINED IN
23 ACCORDANCE WITH THE FORMULA SET FORTH IN THE RBC INSTRUCTIONS. THE FORMULA
24 SHALL TAKE INTO ACCOUNT AND MAY ADJUST FOR THE COVARIANCE BETWEEN THE
25 FOLLOWING RISKS THAT ARE DETERMINED IN EACH CASE BY APPLYING THE FACTORS IN
26 THE MANNER SET FORTH IN THE RBC INSTRUCTIONS:

27 1. ASSET RISK.

28 2. CREDIT RISK.

29 3. UNDERWRITING RISK.

30 4. ALL OTHER BUSINESS RISKS AND ANY OTHER RELEVANT RISKS THAT ARE SET
31 FORTH IN THE RBC INSTRUCTIONS.

32 ~~E~~ D. If the director determines that an RBC report filed by a
33 domestic insurer is inaccurate, the director shall adjust the RBC report to
34 correct the inaccuracy and shall notify the insurer of the adjustment. The
35 notice shall state the reason for the adjustment. An RBC report that has
36 been adjusted shall be referred to as an adjusted RBC report.

37 E. INSURERS SHALL MAINTAIN CAPITAL ABOVE THE RBC LEVELS REQUIRED BY
38 THIS ARTICLE.

39 Sec. 5. Section 20-488.02, Arizona Revised Statutes, is amended to
40 read:

41 20-488.02. Company action level event; definition

42 A. If a company action level event occurs, the insurer shall prepare
43 and submit to the director an RBC plan. The plan shall:

1 1. Identify the conditions in the insurer that contribute to the
2 company action level event.

3 2. Propose corrective actions that the insurer intends to take and
4 that are expected to result in the elimination of the company action level
5 event.

6 3. Provide projections of the insurer's financial results in the
7 current year and at least the four succeeding years. The projections shall
8 be based on both the absence of corrective actions and the proposed
9 corrective actions, including projections of statutory operating income, net
10 income, capital or surplus. The projections for both new and renewal
11 business may include separate projections for each major line of business and
12 may separately identify each significant income, expense and benefit
13 component.

14 4. Identify the key assumptions impacting the insurer's projections
15 and the sensitivity of the projections to the assumptions.

16 5. Identify the quality of and problems associated with the insurer's
17 business, including but not limited to its assets, anticipated business
18 growth and associated surplus strain, extraordinary exposure to risk, mix of
19 business and use of reinsurance in each case, if any.

20 B. The RBC plan shall be submitted within:

21 1. Forty-five days after the company action level event.

22 2. If the insurer challenges an adjusted RBC report pursuant to
23 section 20-488.06, forty-five days after the insurer is notified that the
24 director, after a hearing, has rejected the insurer's challenge.

25 C. Within sixty days after the insurer submits an RBC plan to the
26 director, the director shall notify the insurer that the RBC plan will be
27 implemented or, in the director's judgment, is unsatisfactory. If the
28 director determines that the RBC plan is unsatisfactory, the notice to the
29 insurer shall set forth the reasons for the director's determination and may
30 set forth proposed revisions that would render the plan satisfactory in the
31 judgment of the director. On receipt of notice from the director, the
32 insurer shall prepare a revised RBC plan. The revised RBC plan may
33 incorporate by reference any revisions proposed by the director. The insurer
34 shall submit the revised RBC plan to the director within:

35 1. Forty-five days after receiving notice from the director.

36 2. If the insurer challenges the notice from the director pursuant to
37 section 20-488.06, forty-five days after the insurer is notified that the
38 director, after a hearing, has rejected the insurer's challenge.

39 D. If the director notifies the insurer that the insurer's RBC plan
40 or revised RBC plan is unsatisfactory, subject to the insurer's right to a
41 hearing pursuant to section 20-488.06 the director may specify in the notice
42 that the notice constitutes a regulatory action level event.

1 E. Each domestic insurer that files an RBC plan or a revised RBC plan
2 with the director shall file a copy of the plan with the insurance director
3 in any state in which the insurer is authorized to transact business if both:

4 1. That state has an RBC provision substantially similar to section
5 20-488.07, subsection A.

6 2. The insurance director in that state notifies the insurer in
7 writing of its request for the filing. After receiving notice of the
8 request, the insurer shall file a copy of the RBC plan or revised RBC plan
9 in that state no later than fifteen days after the receipt of the notice or
10 the date on which the RBC plan or revised RBC plan is filed pursuant to
11 subsection B or C of this section, whichever is later.

12 F. "Company action level event" means any of the following:

13 1. The filing of an RBC report by an insurer indicating either that:

14 (a) The insurer's total adjusted capital is more than or equal to its
15 regulatory action level RBC but less than its company action level RBC.

16 (b) IF THE INSURER IS A LIFE OR HEALTH INSURER, the insurer's total
17 adjusted capital is more than or equal to its company action level RBC but
18 less than the product of its authorized control level RBC and 2.5 and has a
19 negative trend.

20 2. The notification by the director to the insurer of an adjusted RBC
21 report that indicates either of the events under paragraph 1 of this
22 subsection, unless the insurer challenges the adjusted RBC report under
23 section 20-488.06.

24 3. If the insurer challenges an adjusted RBC report that indicates
25 either of the events under paragraph 1 of this subsection, the notification
26 by the director to the insurer that the director, after a hearing, has
27 rejected the insurer's challenge.

28 Sec. 6. Section 20-488.07, Arizona Revised Statutes, is amended to
29 read:

30 20-488.07. Confidentiality

31 A. With respect to a domestic insurer or foreign insurer, the director
32 shall keep confidential all information that is contained in RBC reports and
33 that is not required to be set forth in a public annual statement schedule
34 and all RBC plans that are filed with the director, including the results or
35 report of an examination or analysis of an insurer that is performed pursuant
36 to this article and any corrective order that is issued by the director.
37 This information shall not be made public and is not subject to subpoena,
38 except that the director may subpoena the information for the purpose of
39 enforcing the insurance laws of this state.

40 B. An assertion, representation or statement regarding the RBC levels
41 of an insurer or any component derived by any insurer, agent, broker or other
42 person engaged in the transaction of insurance business shall not be
43 published, disseminated, circulated or placed before the public in any

1 printed medium and shall not be advertised, announced or stated through
2 radio, television or any other electronic medium.

3 C. Notwithstanding subsection B, an insurer may publish an
4 announcement in a written publication for the purpose of rebutting a
5 materially false statement that is made with respect to the comparison
6 regarding the insurer's total adjusted capital to its RBC levels or with
7 respect to an inappropriate comparison of any other amount to the insurer's
8 RBC levels, that is published in a written publication and that the insurer
9 is able to demonstrate to the director with substantial proof is false or
10 inappropriate.

11 D. THE RBC INSTRUCTIONS, RBC REPORTS, ADJUSTED RBC REPORTS, RBC PLANS
12 AND REVISED RBC PLANS ARE INTENDED SOLELY FOR USE BY THE DIRECTOR IN
13 MONITORING THE SOLVENCY OF INSURERS AND THE NEED FOR POSSIBLE CORRECTIVE
14 ACTION WITH RESPECT TO INSURERS. THE DIRECTOR SHALL NOT USE THE RBC
15 INSTRUCTIONS, RBC REPORTS, ADJUSTED RBC REPORTS, RBC PLANS AND REVISED RBC
16 PLANS FOR RATE MAKING, SHALL NOT CONSIDER OR INTRODUCE THEM AS EVIDENCE IN
17 ANY RATE MAKING PROCEEDING AND SHALL NOT USE THEM TO CALCULATE OR DERIVE ANY
18 ELEMENTS OF AN APPROPRIATE PREMIUM LEVEL OR RATE OF RETURN FOR ANY LINE OF
19 INSURANCE THAT AN INSURER OR ANY AFFILIATE IS AUTHORIZED TO WRITE.

20 Sec. 7. Section 20-488.08, Arizona Revised Statutes, is amended to
21 read:

22 20-488.08. Supplemental provisions; rules; exemption

23 A. This article is supplemental to any other laws of this state and
24 does not preclude or limit any other powers or duties of the director.

25 B. THE DIRECTOR MAY ADOPT RULES TO IMPLEMENT THIS ARTICLE.

26 C. THE DIRECTOR MAY EXEMPT FROM THE APPLICATION OF THE RBC
27 REQUIREMENTS OF THIS ARTICLE ANY DOMESTIC PROPERTY AND CASUALTY INSURER THAT
28 DOES ALL OF THE FOLLOWING:

29 1. WRITES DIRECT BUSINESS ONLY IN THIS STATE.

30 2. WRITES DIRECT ANNUAL PREMIUMS OF TWO MILLION DOLLARS OR LESS.

31 3. ASSUMES NO REINSURANCE IN EXCESS OF FIVE PER CENT OF THE DIRECT
32 PREMIUMS WRITTEN.

33 Sec. 8. Section 20-488.09, Arizona Revised Statutes, is amended to
34 read:

35 20-488.09. Foreign insurers

36 A. On request of the director, a foreign insurer shall submit an RBC
37 report to the director as of the end of the previous calendar year within the
38 later of:

39 1. The date that an RBC report would be required to be filed by a
40 domestic insurer.

41 2. Fifteen days after the foreign insurer receives the request.

42 B. On the written request of the director, a foreign insurer shall
43 submit to the director a copy of any RBC plan that is filed with the
44 insurance director in any other state.

1 C. The director may require a foreign insurer to file an RBC plan if
2 under the RBC laws applicable in the insurer's domiciliary state or if the
3 domiciliary state does not have any applicable RBC laws, as determined under
4 this article, both:

5 1. A company action level event occurs with respect to the foreign
6 insurer.

7 2. The insurance director in the domiciliary state fails to require
8 the foreign insurer to file an RBC plan.

9 D. If the director requires a foreign insurer to file an RBC plan
10 pursuant to subsection C of this section, the failure of the foreign insurer
11 to file an RBC plan with the director is grounds for the director to ~~order~~
12 ~~the insurer to cease and desist from writing new insurance business in this~~
13 ~~state~~ SUSPEND THE FOREIGN INSURER'S CERTIFICATE OF AUTHORITY.

14 E. The director may apply to the superior court pursuant to chapter
15 1, article 2 and chapter 3, article 4 of this title for the liquidation of
16 the property of a foreign insurer found in this state if a mandatory control
17 level event occurs with respect to a foreign insurer and if a domiciliary
18 receiver has not been appointed with respect to the foreign insurer under the
19 rehabilitation and liquidation laws applicable in the foreign insurer's
20 domiciliary state. The occurrence of the mandatory control level event shall
21 be considered to be adequate grounds for the application.

22 Sec. 9. Title 20, chapter 2, article 12, Arizona Revised Statutes, is
23 amended by adding section 20-488.11, to read:

24 20-488.11. Immunity

25 IN ADDITION TO ANY OTHER IMMUNITY PROVIDED BY LAW, THE DIRECTOR, THE
26 DEPARTMENT OR THE EMPLOYEES OR AGENTS OF THE DEPARTMENT ARE NOT LIABLE FOR
27 ANY ACTS WHEN ACTING IN GOOD FAITH WITHIN THE SCOPE OF THEIR AUTHORITY UNDER
28 THIS ARTICLE.

29 Sec. 10. Section 20-615, Arizona Revised Statutes, is amended to read:

30 20-615. Grounds for rehabilitation of domestic insurers

31 The director may apply to the court for an order appointing ~~him~~ THE
32 DIRECTOR as receiver of and directing ~~him~~ THE DIRECTOR to rehabilitate a
33 domestic insurer upon one or more of the following grounds:

34 1. That the insurer is impaired or insolvent.

35 2. That the insurer has refused to submit its books, records, accounts
36 or affairs to reasonable examination by the director.

37 3. That the insurer has failed to comply with an order of the director
38 to make good an impairment of capital or surplus, or both.

39 4. That the insurer has transferred or attempted to transfer
40 substantially its entire property or business, or has entered into any
41 transaction the effect of which is to merge substantially its entire property
42 or business in that of any other insurer without having first obtained the
43 written approval of the director.

1 5. That the insurer has wilfully violated its charter or any law of
2 this state.

3 6. That the insurer has an officer, director or manager who has
4 refused to be examined under oath concerning its affairs, for which purpose
5 the director is authorized to conduct and to enforce by all appropriate and
6 available means any such examination under oath in any other state or
7 territory of the United States, in which any such officer, director or
8 manager may then presently be, to the full extent permitted by the laws of
9 such other state or territory, this special authorization considered.

10 7. That the insurer has been the subject of an application for the
11 appointment of a receiver, trustee, custodian or sequestrator of the insurer
12 or its property otherwise than pursuant to the provisions of this title, but
13 only if such appointment has been made or is imminent and its effect is or
14 would be to oust the courts of this state of jurisdiction ~~hereunder~~ UNDER
15 THIS SECTION.

16 8. That the insurer has consented to such an order through a majority
17 of its directors, stockholders, members or subscribers.

18 9. That the insurer has failed to pay a final judgment rendered
19 against it in this state upon any insurance contract issued or assumed by it,
20 within thirty days after the judgment became final or within thirty days
21 after the time for taking an appeal has expired, or within thirty days after
22 dismissal of an appeal before final termination, whichever date is ~~the~~ later.

23 10. THAT AN AUTHORIZED CONTROL LEVEL EVENT OR MANDATORY CONTROL LEVEL
24 EVENT HAS OCCURRED WITH RESPECT TO THE INSURER AS PRESCRIBED IN CHAPTER 2,
25 ARTICLE 12 OF THIS TITLE.

26 Sec. 11. Section 20-619, Arizona Revised Statutes, is amended to read:

27 20-619. Grounds for ancillary liquidation of foreign insurers

28 The director may apply to the court for an order appointing ~~him~~ THE
29 DIRECTOR as ancillary receiver of and directing ~~him~~ THE DIRECTOR to liquidate
30 the business of a foreign insurer having assets, business or claims in this
31 state upon the OCCURRENCE OF EITHER:

32 1. THE appointment in the domiciliary state of ~~such~~ THE insurer of ~~a~~
33 ANY receiver, liquidator, conservator, rehabilitator or other officer by
34 whatever name called for the purpose of liquidating the business of ~~such~~ THE
35 insurer.

36 2. A MANDATORY CONTROL LEVEL EVENT AS PRESCRIBED BY CHAPTER 2, ARTICLE
37 12 OF THIS TITLE, IF ANY RECEIVER, LIQUIDATOR, CONSERVATOR, REHABILITATOR OR
38 OTHER OFFICER BY WHATEVER NAME CALLED IS NOT APPOINTED IN THE INSURER'S
39 DOMICILIARY STATE.

40 Sec. 12. Title 20, chapter 3, Arizona Revised Statutes, is amended by
41 adding article 8, to read:

ARTICLE 8. ACTUARIAL OPINION AND MEMORANDUM REQUIREMENTS

20-696. Scope of article

A. THIS ARTICLE APPLIES TO ALL INSURERS AUTHORIZED TO TRANSACT LIFE INSURANCE AND FRATERNAL BENEFIT SOCIETIES DOING BUSINESS IN THIS STATE AND TO ALL INSURERS AND FRATERNAL BENEFIT SOCIETIES THAT ARE AUTHORIZED TO REINSURE LIFE INSURANCE, ANNUITIES OR ACCIDENT AND HEALTH INSURANCE BUSINESS IN THIS STATE.

B. THIS ARTICLE APPLIES TO ALL ANNUAL STATEMENTS FILED WITH THE DIRECTOR AFTER THE EFFECTIVE DATE OF THIS ARTICLE. EXCEPT FOR INSURERS THAT ARE EXEMPT PURSUANT TO SECTION 20-696.03, ALL INSURERS SHALL FILE THE FOLLOWING WITH THE DIRECTOR EACH YEAR:

1. A STATEMENT OF OPINION ON THE ADEQUACY OF THE RESERVES AND RELATED ACTUARIAL ITEMS BASED ON AN ASSET ADEQUACY ANALYSIS PURSUANT TO SECTION 20-696.05.

2. A MEMORANDUM IN SUPPORT OF THE STATEMENT OF OPINION PURSUANT TO SECTION 20-696.06.

C. AN INSURER THAT IS EXEMPT FROM FILING PURSUANT TO SECTION 20-696.03 SHALL FILE A STATEMENT OF ACTUARIAL OPINION PURSUANT TO SECTION 20-696.04.

D. NOTWITHSTANDING SUBSECTIONS A AND B OF THIS SECTION, THE DIRECTOR MAY REQUIRE AN INSURER THAT IS OTHERWISE EXEMPT PURSUANT TO THIS ARTICLE TO SUBMIT A STATEMENT OF ACTUARIAL OPINION AND TO PREPARE A MEMORANDUM IN SUPPORT OF THE ACTUARIAL OPINION PURSUANT TO SECTIONS 20-696.05 AND 20-696.06 IF THE DIRECTOR DETERMINES THAT AN ASSET ADEQUACY ANALYSIS IS NECESSARY.

20-696.01. Definitions

IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

1. "ACTUARIAL OPINION" MEANS THE OPINION OF AN APPOINTED ACTUARY REGARDING THE ADEQUACY OF THE RESERVES AND RELATED ACTUARIAL ITEMS BASED ON PRESENTLY ACCEPTED ACTUARIAL STANDARDS.

2. "ACTUARIAL STANDARDS BOARD" MEANS THE BOARD ESTABLISHED BY THE AMERICAN ACADEMY OF ACTUARIES TO DEVELOP AND PROMULGATE STANDARDS OF ACTUARIAL PRACTICE.

3. "ANNUAL STATEMENT" MEANS THE STATEMENT AN INSURER ANNUALLY FILES WITH THE DIRECTOR PURSUANT TO SECTION 20-223.

4. "APPOINTED ACTUARY" MEANS ANY INDIVIDUAL WHO IS APPOINTED OR RETAINED PURSUANT TO SECTION 20-696.02, SUBSECTION D TO PROVIDE THE ACTUARIAL OPINION AND SUPPORTING MEMORANDUM AS REQUIRED BY SECTION 20-510, SUBSECTION C.

5. "ASSET ADEQUACY ANALYSIS" MEANS AN ANALYSIS THAT MEETS THE STANDARDS AND OTHER REQUIREMENTS UNDER SECTION 20-696.02, SUBSECTION E AND INCLUDES CASH FLOW TESTING, SENSITIVITY TESTING OR APPLICATIONS OF RISK THEORY.

1 3. IS FAMILIAR WITH THE VALUATION REQUIREMENTS APPLICABLE TO LIFE AND
2 HEALTH INSURANCE COMPANIES.

3 4. EXCEPT AS PROVIDED IN SUBSECTION C OF THIS SECTION, HAS NOT BEEN
4 FOUND BY THE DIRECTOR, AFTER APPROPRIATE NOTICE AND A HEARING AND WITHOUT
5 SUBSEQUENT REINSTATEMENT AS A QUALIFIED ACTUARY, TO HAVE DONE ANY OF THE
6 FOLLOWING:

7 (a) VIOLATED ANY PROVISION OF OR ANY OBLIGATION IMPOSED BY THIS TITLE
8 OR ANY OTHER LAW IN THE COURSE OF THE PERSON'S CONDUCT AS AN ACTUARY.

9 (b) COMMITTED OR BEEN CONVICTED OF FRAUDULENT OR DISHONEST PRACTICES.

10 (c) DEMONSTRATED INCOMPETENCY, LACK OF COOPERATION OR
11 UNTRUSTWORTHINESS TO ACT AS A QUALIFIED ACTUARY.

12 (d) PURSUANT TO THIS ARTICLE, SUBMITTED TO THE DIRECTOR DURING THE
13 PAST FIVE YEARS AN ACTUARIAL OPINION OR MEMORANDUM THAT THE DIRECTOR REJECTED
14 BECAUSE IT DID NOT MEET THE PROVISIONS OF THIS ARTICLE, INCLUDING STANDARDS
15 SET BY THE ACTUARIAL STANDARDS BOARD.

16 (e) RESIGNED OR BEEN REMOVED AS AN ACTUARY WITHIN THE PAST FIVE YEARS
17 AS A RESULT OF ACTS OR OMISSIONS THAT ARE INDICATED IN ANY ADVERSE REPORT ON
18 EXAMINATION OR AS A RESULT OF FAILURE TO ADHERE TO GENERALLY ACCEPTABLE
19 ACTUARIAL STANDARDS.

20 5. HAS NOT FAILED TO NOTIFY THE DIRECTOR OF ANY ACTION TAKEN AGAINST
21 THE ACTUARY BY THE DIRECTOR OR COMMISSIONER OF ANOTHER STATE FOR AN ACT THAT
22 IS PROSCRIBED UNDER PARAGRAPH 4 OF THIS SUBSECTION.

23 C. NOTWITHSTANDING SUBSECTION B, PARAGRAPH 4 OF THIS SECTION, THE
24 DIRECTOR FOR GOOD CAUSE SHOWN MAY CLASSIFY AN INDIVIDUAL AS A QUALIFIED
25 ACTUARY.

26 D. AN APPOINTED ACTUARY IS A QUALIFIED ACTUARY WHO IS APPOINTED OR
27 RETAINED BY THE BOARD OF DIRECTORS OR AN EXECUTIVE OFFICER OF THE COMPANY TO
28 PREPARE THE STATEMENT OF ACTUARIAL OPINION REQUIRED BY THIS ARTICLE. THE
29 COMPANY SHALL GIVE THE DIRECTOR TIMELY WRITTEN NOTICE OF THE NAME, THE TITLE,
30 THE NAME OF THE FIRM IF THE ACTUARY IS A CONSULTING ACTUARY AND THE MANNER
31 OF APPOINTMENT OR RETENTION OF EACH PERSON WHO IS APPOINTED OR RETAINED BY
32 THE COMPANY AS AN APPOINTED ACTUARY AND SHALL STATE THAT THE PERSON MEETS THE
33 REQUIREMENTS PRESCRIBED IN SUBSECTION B OF THIS SECTION. AFTER THE COMPANY
34 FURNISHES NOTICE, NO FURTHER NOTICE IS REQUIRED WITH RESPECT TO THIS PERSON,
35 EXCEPT THAT THE COMPANY SHALL GIVE THE DIRECTOR TIMELY WRITTEN NOTICE IF THE
36 ACTUARY CEASES TO BE APPOINTED OR RETAINED AS AN APPOINTED ACTUARY OR FAILS
37 TO MEET THE REQUIREMENTS PRESCRIBED IN SUBSECTION B OF THIS SECTION. IF A
38 PERSON WHO IS APPOINTED OR RETAINED AS AN APPOINTED ACTUARY REPLACES A
39 PREVIOUSLY APPOINTED ACTUARY, THE NOTICE SHALL STATE THIS FACT AND SHALL GIVE
40 THE REASONS FOR THE REPLACEMENT.

41 E. THE ASSET ADEQUACY ANALYSIS REQUIRED BY THIS ARTICLE SHALL CONFORM
42 TO STANDARDS ADOPTED BY ORDER OF THE DIRECTOR. IN ESTABLISHING STANDARDS,
43 THE DIRECTOR SHALL CONSIDER BOTH:

1 1. THE STANDARDS OF PRACTICE AS PROMULGATED FROM TIME TO TIME BY THE
2 ACTUARIAL STANDARDS BOARD AND TO ANY ADDITIONAL STANDARDS UNDER THIS ARTICLE.

3 2. THE METHODS OF ANALYSIS THAT THE ACTUARIAL STANDARDS BOARD DEEMS
4 APPROPRIATE.

5 F. LIABILITIES SHALL BE COVERED IN THE ACTUARIAL OPINION AS FOLLOWS:

6 1. THE STATEMENT OF ACTUARIAL OPINION APPLIES TO ALL IN FORCE BUSINESS
7 ON THE STATEMENT DATE REGARDLESS OF WHEN OR WHERE ISSUED.

8 2. IF AS THE RESULT OF ASSET ADEQUACY ANALYSIS THE APPOINTED ACTUARY
9 DETERMINES THAT A RESERVE SHOULD BE HELD IN ADDITION TO THE AGGREGATE RESERVE
10 THAT IS HELD BY THE COMPANY AND CALCULATED PURSUANT TO SECTION 20-510, THE
11 COMPANY SHALL ESTABLISH AN ADDITIONAL RESERVE.

12 3. FOR YEARS ENDING BEFORE DECEMBER 31, 1998, THE COMPANY, IN LIEU OF
13 ESTABLISHING THE FULL AMOUNT OF THE ADDITIONAL RESERVE REQUIRED BY PARAGRAPH
14 2 OF THIS SUBSECTION IN THE ANNUAL STATEMENT FOR THAT YEAR, MAY COMPLY BY
15 RESERVING AN AMOUNT NOT LESS THAN THE FOLLOWING:

16 (a) FOR DECEMBER 31, 1996, THE ADDITIONAL RESERVE DIVIDED BY THREE.

17 (b) FOR DECEMBER 31, 1997, TWO TIMES THE ADDITIONAL RESERVE DIVIDED
18 BY THREE.

19 4. ADDITIONAL RESERVES THAT ARE ESTABLISHED UNDER PARAGRAPH 2 OR 3 OF
20 THIS SUBSECTION AND THAT ARE DEEMED NOT NECESSARY IN SUBSEQUENT YEARS MAY BE
21 RELEASED. THE RELEASED AMOUNTS SHALL BE DISCLOSED IN THE ACTUARIAL OPINION
22 FOR THE APPLICABLE YEAR. THE RELEASE OF THE ADDITIONAL RESERVES IS NOT AN
23 ADOPTION OF A LOWER STANDARD OF VALUATION.

24 20-696.03. Required opinions; company categories

25 A. PURSUANT TO SECTION 20-510, EVERY COMPANY DOING BUSINESS IN THIS
26 STATE SHALL ANNUALLY SUBMIT THE OPINION OF AN APPOINTED ACTUARY PURSUANT TO
27 THIS ARTICLE. THE TYPE OF OPINION SUBMITTED BY EACH COMPANY SHALL BE
28 DETERMINED BY THIS SECTION AND SHALL BE IN ACCORDANCE WITH THE APPLICABLE
29 PROVISIONS OF THIS ARTICLE.

30 B. FOR THE PURPOSES OF THIS ARTICLE, COMPANIES SHALL BE CLASSIFIED AS
31 FOLLOWS BASED ON THE ADMITTED ASSETS AS OF THE END OF THE CALENDAR YEAR FOR
32 WHICH THE ACTUARIAL OPINION IS APPLICABLE:

33 1. CATEGORY A CONSISTS OF COMPANIES WHOSE ADMITTED ASSETS DO NOT
34 EXCEED TWENTY MILLION DOLLARS.

35 2. CATEGORY B CONSISTS OF COMPANIES WHOSE ADMITTED ASSETS ARE AT LEAST
36 TWENTY MILLION DOLLARS BUT LESS THAN ONE HUNDRED MILLION DOLLARS.

37 3. CATEGORY C CONSISTS OF COMPANIES WHOSE ADMITTED ASSETS ARE AT LEAST
38 ONE HUNDRED MILLION DOLLARS BUT LESS THAN FIVE HUNDRED MILLION DOLLARS.

39 4. CATEGORY D CONSISTS OF COMPANIES WHOSE ADMITTED ASSETS ARE AT LEAST
40 FIVE HUNDRED MILLION DOLLARS OR MORE.

41 C. THE FOLLOWING TESTS APPLY TO DETERMINE THE ACTUARIAL OPINION FILING
42 REQUIREMENTS THAT APPLY TO THE COMPANY CLASSIFICATIONS ESTABLISHED BY
43 SUBSECTION B OF THIS SECTION:

1 1. FOR ANY YEAR BEGINNING WITH THE YEAR 1996, A CATEGORY A COMPANY
2 THAT DOES NOT MEET ALL OF THE FOLLOWING CRITERIA SHALL SUBMIT A STATEMENT OF
3 ACTUARIAL OPINION PURSUANT TO SECTION 20-696.05 FOR THE YEAR IN WHICH THE
4 CRITERIA ARE NOT MET. THE RATIOS IN SUBDIVISIONS (a), (b) AND (c) OF THIS
5 PARAGRAPH SHALL BE CALCULATED BASED ON AMOUNTS AS OF THE END OF THE CALENDAR
6 YEAR FOR WHICH THE ACTUARIAL OPINION IS APPLICABLE:

7 (a) THE RATIO OF THE SUM OF CAPITAL AND SURPLUS TO THE SUM OF CASH AND
8 INVESTED ASSETS EQUALS OR EXCEEDS .10.

9 (b) THE RATIO OF THE SUM OF THE RESERVES AND LIABILITIES FOR ANNUITIES
10 AND DEPOSITS TO THE TOTAL ADMITTED ASSETS IS LESS THAN .30.

11 (c) THE RATIO OF THE BOOK VALUE OF THE NONINVESTMENT GRADE BONDS TO
12 THE SUM OF CAPITAL AND SURPLUS IS LESS THAN .50.

13 (d) THE EXAMINER TEAM FOR THE NATIONAL ASSOCIATION OF INSURANCE
14 COMMISSIONERS HAS NOT DESIGNATED THE COMPANY AS A FIRST PRIORITY COMPANY IN
15 ANY OF THE TWO CALENDAR YEARS PRECEDING THE CALENDAR YEAR FOR WHICH THE
16 ACTUARIAL OPINION IS APPLICABLE, OR AS A SECOND PRIORITY COMPANY IN EACH OF
17 THE TWO CALENDAR YEARS PRECEDING THE CALENDAR YEAR FOR WHICH THE ACTUARIAL
18 OPINION IS APPLICABLE, OR THE COMPANY HAS RESOLVED THE FIRST OR SECOND
19 PRIORITY STATUS TO THE SATISFACTION OF THE DIRECTOR OF INSURANCE OF THE STATE
20 OF DOMICILE AND THE DIRECTOR OF THAT STATE HAS NOTIFIED THE CHAIRPERSON OF
21 THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS' LIFE AND HEALTH
22 ACTUARIAL TASK FORCE AND THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS'
23 STAFF AND SUPPORT OFFICE.

24 2. FOR ANY YEAR BEGINNING WITH THE YEAR 1996, A CATEGORY B COMPANY
25 THAT DOES NOT MEET ALL OF THE FOLLOWING CRITERIA SHALL SUBMIT A STATEMENT OF
26 ACTUARIAL OPINION PURSUANT TO SECTION 20-696.05 FOR THE YEAR IN WHICH THE
27 CRITERIA ARE NOT MET. THE RATIOS IN SUBDIVISIONS (a), (b) AND (c) OF THIS
28 PARAGRAPH SHALL BE CALCULATED BASED ON AMOUNTS AS OF THE END OF THE CALENDAR
29 YEAR FOR WHICH THE ACTUARIAL OPINION IS APPLICABLE:

30 (a) THE RATIO OF THE SUM OF CAPITAL AND SURPLUS TO THE SUM OF CASH AND
31 INVESTED ASSETS EQUALS OR EXCEEDS .07.

32 (b) THE RATIO OF THE SUM OF THE RESERVES AND LIABILITIES FOR ANNUITIES
33 AND DEPOSITS TO THE TOTAL ADMITTED ASSETS IS LESS THAN .40.

34 (c) THE RATIO OF THE BOOK VALUE OF THE NONINVESTMENT GRADE BONDS TO
35 THE SUM OF CAPITAL AND SURPLUS IS LESS THAN .50.

36 (d) THE EXAMINER TEAM FOR THE NATIONAL ASSOCIATION OF INSURANCE
37 COMMISSIONERS HAS NOT DESIGNATED THE COMPANY AS A FIRST PRIORITY COMPANY IN
38 ANY OF THE TWO CALENDAR YEARS PRECEDING THE CALENDAR YEAR FOR WHICH THE
39 ACTUARIAL OPINION IS APPLICABLE, OR AS A SECOND PRIORITY COMPANY IN EACH OF
40 THE TWO CALENDAR YEARS PRECEDING THE CALENDAR YEAR FOR WHICH THE ACTUARIAL
41 OPINION IS APPLICABLE, OR THE COMPANY HAS RESOLVED THE FIRST OR SECOND
42 PRIORITY STATUS TO THE SATISFACTION OF THE DIRECTOR OF THE STATE OF DOMICILE
43 AND THE DIRECTOR OF THAT STATE HAS NOTIFIED THE CHAIRPERSON OF THE NATIONAL
44 ASSOCIATION OF INSURANCE COMMISSIONERS' LIFE AND HEALTH ACTUARIAL TASK FORCE

1 AND THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS' STAFF AND SUPPORT
2 OFFICE.

3 3. NOTWITHSTANDING PARAGRAPHS 1 AND 2 OF THIS SUBSECTION, THE DIRECTOR
4 MAY ORDER A CATEGORY A OR CATEGORY B COMPANY THAT MEETS ALL THE APPLICABLE
5 CRITERIA PRESCRIBED IN PARAGRAPH 1 OR 2 OF THIS SUBSECTION TO SUBMIT A
6 STATEMENT OF ACTUARIAL OPINION PURSUANT TO SECTION 20-696.05.

7 4. AFTER SUBMITTING AN OPINION PURSUANT TO SECTION 20-696.05 AND
8 EXCEPT AS PROVIDED IN PARAGRAPH 5 OF THIS SUBSECTION, A CATEGORY C COMPANY
9 THAT MEETS ALL OF THE FOLLOWING CRITERIA IS NOT REQUIRED TO SUBMIT A
10 STATEMENT OF ACTUARIAL OPINION PURSUANT TO SECTION 20-696.05 MORE FREQUENTLY
11 THAN EVERY THIRD YEAR. A CATEGORY C COMPANY THAT FAILS TO MEET ALL OF THE
12 FOLLOWING CRITERIA FOR ANY YEAR SHALL SUBMIT A STATEMENT OF ACTUARIAL OPINION
13 PURSUANT TO SECTION 20-696.05 FOR THAT YEAR. THE RATIOS IN SUBDIVISIONS (a),
14 (b) AND (c) OF THIS PARAGRAPH SHALL BE CALCULATED BASED ON AMOUNTS AS OF THE
15 END OF THE CALENDAR YEAR FOR WHICH THE ACTUARIAL OPINION IS APPLICABLE:

16 (a) THE RATIO OF THE SUM OF CAPITAL AND SURPLUS TO THE SUM OF CASH AND
17 INVESTED ASSETS EQUALS OR EXCEEDS .05.

18 (b) THE RATIO OF THE SUM OF THE RESERVES AND LIABILITIES FOR ANNUITIES
19 AND DEPOSITS TO THE TOTAL ADMITTED ASSETS IS LESS THAN .50.

20 (c) THE RATIO OF THE BOOK VALUE OF THE NONINVESTMENT GRADE BONDS TO
21 THE SUM OF THE CAPITAL AND SURPLUS IS LESS THAN .50.

22 (d) THE EXAMINER TEAM FOR THE NATIONAL ASSOCIATION OF INSURANCE
23 COMMISSIONERS HAS NOT DESIGNATED THE COMPANY AS A FIRST PRIORITY COMPANY IN
24 ANY OF THE TWO CALENDAR YEARS PRECEDING THE CALENDAR YEAR FOR WHICH THE
25 ACTUARIAL OPINION IS APPLICABLE, OR AS A SECOND PRIORITY COMPANY IN EACH OF
26 THE TWO CALENDAR YEARS PRECEDING THE CALENDAR YEAR FOR WHICH THE ACTUARIAL
27 OPINION IS APPLICABLE, OR THE COMPANY HAS RESOLVED THE FIRST OR SECOND
28 PRIORITY STATUS TO THE SATISFACTION OF THE DIRECTOR OF INSURANCE OF THE STATE
29 OF DOMICILE AND THE DIRECTOR OF THAT STATE HAS NOTIFIED THE CHAIRPERSON OF
30 THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS' LIFE AND HEALTH
31 ACTUARIAL TASK FORCE AND THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS'
32 STAFF AND SUPPORT OFFICE.

33 5. A COMPANY THAT IS NOT REQUIRED BY THIS SECTION TO SUBMIT A
34 STATEMENT OF ACTUARIAL OPINION PURSUANT TO SECTION 20-696.05 FOR ANY YEAR
35 SHALL SUBMIT A STATEMENT OF ACTUARIAL OPINION PURSUANT TO SECTION 20-696.04
36 FOR THAT YEAR UNLESS THE DIRECTOR REQUIRES THAT A STATEMENT OF ACTUARIAL
37 OPINION BE SUBMITTED PURSUANT TO SECTION 20-696.05.

38 D. FOR EACH YEAR BEGINNING WITH THE YEAR 1996, A CATEGORY D COMPANY
39 SHALL SUBMIT A STATEMENT OF ACTUARIAL OPINION PURSUANT TO SECTION 20-696.05.
40 20-696.04. Statement of actuarial opinion not based on an asset
41 adequacy analysis

42 A. THE STATEMENT OF ACTUARIAL OPINION REQUIRED BY THIS SECTION SHALL
43 INCLUDE ALL OF THE FOLLOWING:

1 1. AN OPENING PARAGRAPH THAT IDENTIFIES THE APPOINTED ACTUARY AND THE
2 ACTUARY'S QUALIFICATIONS. THIS PARAGRAPH SHALL INCLUDE THE FOLLOWING
3 INFORMATION:

4 (a) THE ACTUARY'S RELATIONSHIP TO THE COMPANY.

5 (b) THE ACTUARY'S NAME, ADDRESS AND FIRM AFFILIATION.

6 (c) THE ACTUARY'S MEMBERSHIP STATUS IN THE AMERICAN ACADEMY OF
7 ACTUARIES.

8 (d) IDENTIFICATION OF WHO APPOINTED THE ACTUARY AND WHETHER THE
9 ACTUARY WAS APPOINTED AS A COMPANY ACTUARY OR A CONSULTING ACTUARY, THE SCOPE
10 OF THE APPOINTMENT AND THE DATE THE APPOINTMENT OCCURRED.

11 (e) THE ACTUARY'S FAMILIARITY AND COMPLIANCE WITH THE STANDARDS OF THE
12 AMERICAN ACADEMY OF ACTUARIES.

13 2. A REGULATORY AUTHORITY PARAGRAPH THAT STATES THAT THE COMPANY IS
14 EXEMPT PURSUANT TO THIS ARTICLE FROM SUBMITTING A STATEMENT OF ACTUARIAL
15 OPINION BASED ON AN ASSET ADEQUACY ANALYSIS AND THAT THE OPINION, WHICH IS
16 NOT BASED ON AN ASSET ADEQUACY ANALYSIS, IS RENDERED PURSUANT TO THIS
17 SECTION. THIS PARAGRAPH SHALL IDENTIFY:

18 (a) IF THE COMPANY HAS A STATUTORY OBLIGATION TO FILE AN ACTUARIAL
19 OPINION BASED ON AN ASSET ADEQUACY ANALYSIS.

20 (b) THE STATUTE UNDER WHICH THE ACTUARIAL OPINION IS BEING OFFERED.

21 3. A SCOPE PARAGRAPH THAT IDENTIFIES THE SUBJECT ON WHICH THE OPINION
22 IS TO BE EXPRESSED AND THAT DESCRIBES THE SCOPE OF THE APPOINTED ACTUARY'S
23 WORK. THIS PARAGRAPH SHALL:

24 (a) STATE IF THE ACTUARY HAS EXAMINED THE ACTUARIAL ASSUMPTIONS AND
25 RELATED ACTUARIAL ITEMS OF THE ANNUAL STATEMENT ON WHICH THE ACTUARIAL
26 OPINION IS BASED.

27 (b) IDENTIFY THE SPECIFIC ANNUAL STATEMENT ITEMS ON WHICH THE ACTUARY
28 IS EXPRESSING AN ACTUARIAL OPINION, INCLUDING:

29 (i) AGGREGATE RESERVES FOR AND DEPOSIT FUNDS FOR LIFE OR ACCIDENT
30 HEALTH POLICIES OR CONTRACTS.

31 (ii) DEPOSIT FUNDS AND OTHER LIABILITIES WITHOUT LIFE OR DISABILITY
32 CONTINGENCIES.

33 (iii) POLICY AND CONTRACT CLAIMS.

34 (c) STATE THE EXTENT TO WHICH THE ACTUARY HAS PERSONALLY, OR IN
35 RELIANCE ON ANOTHER IDENTIFIED INDIVIDUAL, EXAMINED AND TESTED THE UNDERLYING
36 RECORDS OF THE COMPANY ON WHICH THE ACTUARY BASES THE ACTUARIAL OPINION.

37 4. AN OPINION PARAGRAPH THAT EXPRESSES THE APPOINTED ACTUARY'S
38 ACTUARIAL OPINION AS REQUIRED BY SECTION 20-510. THE OPINION SHALL CONFIRM
39 THAT THE ACTUARIAL OPINION THAT IS PREPARED PURSUANT TO THIS SECTION COMPLIES
40 WITH SUBSECTION B OF THIS SECTION. THE OPINION SHALL STATE IF THE AMOUNTS
41 THAT ARE CARRIED IN THE BALANCE SHEET OF THE ANNUAL STATEMENT ON WHICH THE
42 ACTUARY BASES THE ACTUARIAL OPINION:

1 (a) ARE COMPUTED ACCORDING TO PRESENTLY ACCEPTED ACTUARIAL STANDARDS.

2 (b) ARE BASED ON ACTUARIAL ASSUMPTIONS THAT PRODUCE RESERVES THAT ARE
3 GREATER THAN OR EQUAL TO THE COMPANY'S CONTRACTUAL OBLIGATIONS REGARDING
4 RESERVE BASIS AND METHOD AND ARE CONSISTENT WITH ALL OTHER CONTRACT
5 PROVISIONS.

6 (c) ARE IN COMPLIANCE WITH THIS TITLE AND THE LAWS OF THE COMPANY'S
7 DOMICILIARY JURISDICTION.

8 (d) ARE COMPUTED USING ACTUARIAL ASSUMPTIONS THAT ARE CONSISTENT WITH
9 THOSE USED IN THE PREVIOUS YEAR'S ANNUAL STATEMENT FILING, WITH ANY
10 EXCEPTIONS SPECIFICALLY IDENTIFIED AND EXPLAINED.

11 (e) INCLUDE A PROVISION FOR ALL ACTUARIAL RESERVES AND RELATED
12 STATEMENT ITEMS THAT MUST BE ESTABLISHED.

13 (f) ARE BASED ON THE APPLICABLE STANDARDS OF THE AMERICAN ACADEMY OF
14 ACTUARIES.

15 5. AN ELIGIBILITY PARAGRAPH THAT CONFIRMS THE COMPANY'S ELIGIBILITY
16 FOR FILING UNDER THIS SECTION, INCLUDING:

17 (a) IF THE ACTUARIAL OPINION INCLUDES AN OPINION REGARDING THE
18 ADEQUACY OF RESERVES AND RELATED ACTUARIAL ITEMS.

19 (b) THE ADMITTED ASSETS OF THE COMPANY.

20 (c) THE CATEGORY OF THE COMPANY PURSUANT TO SECTION 20-696.03.

21 (d) A STATEMENT THAT THE CRITERIA SPECIFIED FOR A COMPANY MEETING THE
22 CATEGORY'S DESCRIPTION OF THE COMPANY PURSUANT TO SECTION 20-696.03 ARE
23 SATISFIED. THE STATEMENT SHALL DESCRIBE:

24 (i) THE SPECIFIC RATIOS THAT ARE CALCULATED PURSUANT TO THE APPLICABLE
25 FORMULAS THAT ARE PRESCRIBED BY SECTION 20-696.03, SUBSECTION B.

26 (ii) IF THE COMPANY HAS BEEN DESIGNATED A PRIORITY COMPANY BY THE
27 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS AND THE RESOLUTION, IF ANY,
28 OF THAT DESIGNATION.

29 (iii) IF THE COMPANY HAS BEEN ORDERED BY AN INSURANCE REGULATORY
30 OFFICIAL TO FILE AN ASSET ADEQUACY OPINION.

31 B. ALL ACTUARIAL METHODS, CONSIDERATIONS AND ANALYSIS THAT ARE USED
32 IN FORMING ACTUARIAL OPINIONS PRESCRIBED BY THIS SECTION SHALL COMPLY WITH
33 STANDARDS ADOPTED BY ORDER OF THE DIRECTOR. IN ESTABLISHING STANDARDS, THE
34 DIRECTOR SHALL CONSIDER THE APPLICABLE STANDARDS OF THE AMERICAN ACADEMY OF
35 ACTUARIES.

36 C. IF THE APPOINTED ACTUARY IS UNABLE TO FORM AN OPINION, THE
37 APPOINTED ACTUARY SHALL REFUSE TO ISSUE A STATEMENT OF ACTUARIAL OPINION.
38 IF THE APPOINTED ACTUARY'S OPINION IS ADVERSE OR QUALIFIED, THE APPOINTED
39 ACTUARY SHALL ISSUE AN ADVERSE OR QUALIFIED ACTUARIAL OPINION THAT EXPLICITLY
40 EXPLAINS THE REASONS FOR THE OPINION.

41 D. IF THE APPOINTED ACTUARY DOES NOT EXPRESS AN OPINION REGARDING THE
42 ACCURACY AND COMPLETENESS OF THE LISTINGS AND SUMMARIES OF POLICIES IN FORCE,
43 OR IF ANOTHER PERSON CERTIFIES THE ACCURACY AND COMPLETENESS OF THE LISTINGS
44 AND SUMMARIES OF POLICIES IN FORCE PURSUANT TO THIS SECTION, THE COMPANY

1 OFFICER OR ACCOUNTING FIRM THAT PREPARED THE UNDERLYING DATA SHALL SIGN AND
2 ATTACH A STATEMENT TO THE OPINION INDICATING:

3 1. THE NAME, ADDRESS AND TELEPHONE NUMBER OF THE INDIVIDUAL SIGNING
4 THE STATEMENT.

5 2. AN AFFIRMATION REGARDING THE ACCURACY OF THE LISTINGS AND SUMMARIES
6 OF POLICIES AND CONTRACTS IN FORCE AS OF THE ANNUAL STATEMENT DATE ON WHICH
7 THE ACTUARIAL OPINION IS BASED, INCLUDING THE NAME OF THE INDIVIDUAL WHO
8 PREPARED OR DIRECTED THE PREPARATION OF THE LISTINGS AND SUMMARIES.

9 3. THE EXTENT TO WHICH THE LISTINGS AND SUMMARIES ARE BELIEVED TO BE
10 SUBSTANTIALLY ACCURATE AND COMPLETE.

11 20-696.05. Statement of actuarial opinion based on an asset
12 adequacy analysis

13 A. THE STATEMENT OF ACTUARIAL OPINION REQUIRED BY THIS SECTION SHALL
14 INCLUDE ALL OF THE FOLLOWING:

15 1. AN OPENING PARAGRAPH THAT IDENTIFIES THE APPOINTED ACTUARY AND THE
16 ACTUARY'S QUALIFICATIONS. THIS PARAGRAPH SHALL INCLUDE THE FOLLOWING
17 INFORMATION:

18 (a) THE ACTUARY'S RELATIONSHIP TO THE COMPANY.

19 (b) THE ACTUARY'S NAME, ADDRESS AND FIRM AFFILIATION.

20 (c) THE ACTUARY'S MEMBERSHIP STATUS IN THE AMERICAN ACADEMY OF
21 ACTUARIES.

22 (d) IDENTIFICATION OF WHO APPOINTED THE ACTUARY AND WHETHER THE
23 ACTUARY WAS APPOINTED AS A COMPANY ACTUARY OR A CONSULTING ACTUARY, THE SCOPE
24 OF THE APPOINTMENT AND THE DATE THE APPOINTMENT OCCURRED.

25 (e) THE ACTUARY'S FAMILIARITY AND COMPLIANCE WITH THE STANDARDS OF THE
26 AMERICAN ACADEMY OF ACTUARIES.

27 2. A SCOPE PARAGRAPH THAT IDENTIFIES THE SUBJECT ON WHICH AN OPINION
28 IS TO BE EXPRESSED AND THAT DESCRIBES THE SCOPE OF THE APPOINTED ACTUARY'S
29 WORK, INCLUDING A TABLE OF RESERVES AND LIABILITIES THAT DELINEATES THE
30 RESERVES AND RELATED ACTUARIAL ITEMS THAT HAVE BEEN ANALYZED FOR ASSET
31 ADEQUACY AND THE METHOD OF ANALYSIS, AND THAT IDENTIFIES THOSE RESERVES AND
32 RELATED ACTUARIAL ITEMS THAT HAVE NOT BEEN ANALYZED FOR ASSET ADEQUACY. THE
33 SCOPE PARAGRAPH SHALL INCLUDE THE FOLLOWING INFORMATION:

34 (a) IF THE ACTUARY HAS EXAMINED THE ACTUARIAL ASSUMPTIONS AND
35 ACTUARIAL METHODS USED TO DETERMINE THE RESERVES AND RELATED ACTUARIAL ITEMS
36 OF THE ANNUAL STATEMENT ON WHICH THE ACTUARIAL OPINION IS BASED.

37 (b) THE SPECIFIC RESERVES AND RELATED ACTUARIAL ITEMS THAT WERE
38 SUBJECTED TO ASSET ADEQUACY ANALYSIS, INCLUDING THE FORMULA RESERVES,
39 ADDITIONAL ACTUARIAL RESERVES, OTHER AMOUNTS INCLUDED PURSUANT TO APPLICABLE
40 ACTUARIAL STANDARDS AND THE SUM OF THESE ITEMS, AND THE APPLICABLE ANALYSIS
41 METHOD EMPLOYED TO DETERMINE THESE ITEMS FOR THE FOLLOWING ANNUAL STATEMENT
42 ENTRIES:

1 (i) ALL APPLICABLE ITEMS FROM THE AGGREGATE RESERVE FOR LIFE POLICIES
2 AND CONTRACTS EXHIBIT TO THE ANNUAL STATEMENT, CONSISTING OF ENTRIES FOR LIFE
3 INSURANCE, ANNUITIES, SUPPLEMENTARY CONTRACTS INVOLVING LIFE CONTINGENCIES,
4 ACCIDENTAL DEATH BENEFIT, DISABILITY-ACTIVE, DISABILITY-DISABLED,
5 MISCELLANEOUS AND A TOTAL OF THESE ITEMS.

6 (ii) ALL APPLICABLE ITEMS CONTAINED ON THE AGGREGATE RESERVE FOR
7 ACCIDENT AND HEALTH POLICIES EXHIBIT OF THE ANNUAL STATEMENT, INCLUDING
8 ACTIVE LIFE RESERVE AND CLAIM RESERVE AND A TOTAL FOR THESE ITEMS.

9 (iii) ALL APPLICABLE ITEMS FROM THE DEPOSIT FUNDS AND OTHER
10 LIABILITIES WITHOUT LIFE OR DISABILITY CONTINGENCIES EXHIBIT FROM THE ANNUAL
11 STATEMENT, INCLUDING PREMIUMS AND OTHER DEPOSIT FUNDS, POLICYHOLDER PREMIUMS,
12 GUARANTEED INTEREST CONTRACTS, OTHER CONTRACT DEPOSIT FUNDS, SUPPLEMENTARY
13 CONTRACTS NOT INVOLVING LIFE CONTINGENCIES, DIVIDEND AND COUPON ACCUMULATIONS
14 AND A TOTAL FOR THESE ITEMS.

15 (iv) ALL APPLICABLE ITEMS FROM THE POLICY AND CONTRACT CLAIMS EXHIBIT
16 FROM THE ANNUAL STATEMENT, INCLUDING LIFE AND HEALTH AND A TOTAL FOR THESE
17 ITEMS.

18 (v) SEPARATE ACCOUNT INFORMATION FROM THE ANNUAL STATEMENT.

19 (vi) TOTAL RESERVES FROM THE ANNUAL STATEMENT.

20 (vii) THE INTEREST MAINTENANCE RESERVE FROM THE ANNUAL STATEMENT.

21 (viii) THE ALLOCATED AMOUNT FOR THE ASSET VALUATION RESERVE FROM THE
22 ANNUAL STATEMENT.

23 3. A RELIANCE PARAGRAPH THAT DESCRIBES EACH AREA IN WHICH THE
24 APPOINTED ACTUARY WHO ISSUES THE OPINION PURSUANT TO THIS SECTION HAS RELIED
25 ON OTHERS TO DEVELOP DATA, PROCEDURES OR ASSUMPTIONS AND THAT INCLUDES A
26 STATEMENT FROM EACH PERSON ON WHOM RELIANCE HAS BEEN PLACED. THE RELIANCE
27 PORTION OF THE ACTUARIAL OPINION SHALL INDICATE THE EXTENT TO WHICH THE
28 ACTUARY HAS PERSONALLY, OR IN RELIANCE ON OTHER SPECIFICALLY IDENTIFIED
29 INDIVIDUALS, EXAMINED AND TESTED THE UNDERLYING RECORDS OF THE COMPANY ON
30 WHICH THE ACTUARY BASES THE ACTUARIAL OPINION. THE RELIANCE PARAGRAPH SHALL
31 INCLUDE THE FOLLOWING INFORMATION:

32 (a) THE IDENTITY OF AND A VERIFICATION FROM EACH PERSON ON WHOM
33 RELIANCE HAS BEEN PLACED TO PREPARE THE OPINION WITH RESPECT TO THE SPECIFIC
34 ANNUAL STATEMENT ENTRIES AND RELATED RESERVE AND RELATED ACTUARIAL ITEMS,
35 LISTINGS AND SUMMARIES OF POLICIES IN FORCE OR ASSET RECORDS PREPARED BY THE
36 COMPANY OR A THIRD PARTY, AND THE SPECIFIC ITEMS RELIED ON THAT WERE PREPARED
37 BY A PERSON OTHER THAN THE ACTUARY.

38 (b) THE UNDERLYING ASSET AND LIABILITY RECORDS, ACTUARIAL ASSUMPTIONS
39 AND ACTUARIAL METHODS EXAMINED BY THE ACTUARY INCLUDING A DESCRIPTION OF EACH
40 TEST OF THE ACTUARIAL CALCULATIONS CONSIDERED NECESSARY BY THE ACTUARY.

41 4. AN OPINION PARAGRAPH THAT EXPRESSES THE APPOINTED ACTUARY'S
42 ACTUARIAL OPINION AS REQUIRED BY SECTION 20-510. THE OPINION SHALL CONFIRM
43 THAT THE ACTUARIAL OPINION PREPARED PURSUANT TO THIS SECTION COMPLIES WITH
44 SUBSECTION B OF THIS SECTION. THE OPINION SHALL STATE IF AMOUNTS THAT ARE

1 CARRIED IN THE BALANCE SHEET OF THE ANNUAL STATEMENT ON WHICH THE ACTUARY
2 BASES THE ACTUARIAL OPINION:

3 (a) ARE COMPUTED ACCORDING TO PRESENTLY ACCEPTED ACTUARIAL STANDARDS.

4 (b) ARE BASED ON ACTUARIAL ASSUMPTIONS THAT PRODUCE RESERVES THAT ARE
5 GREATER THAN OR EQUAL TO THE COMPANY'S CONTRACTUAL OBLIGATIONS REGARDING
6 RESERVE BASIS AND METHOD AND ARE CONSISTENT WITH ALL OTHER CONTRACT
7 PROVISIONS.

8 (c) ARE IN COMPLIANCE WITH THIS TITLE AND THE LAWS OF THE COMPANY'S
9 DOMICILIARY JURISDICTION.

10 (d) ARE COMPUTED USING ACTUARIAL ASSUMPTIONS CONSISTENT WITH THOSE
11 USED IN THE PREVIOUS YEAR'S ANNUAL STATEMENT FILING, WITH ANY EXCEPTIONS
12 SPECIFICALLY IDENTIFIED AND EXPLAINED.

13 (e) INCLUDE A PROVISION FOR ALL ACTUARIAL RESERVES AND RELATED
14 STATEMENT ITEMS THAT MUST BE ESTABLISHED.

15 (f) ARE BASED ON THE APPLICABLE STANDARDS OF THE AMERICAN ACADEMY OF
16 ACTUARIES.

17 (g) IF THE RESERVE AND RELATED ACTUARIAL ITEMS AND THE ASSETS OF THE
18 COMPANY PROVIDE ADEQUATE CASH FLOWS TO SATISFY THE CONTRACTUAL OBLIGATIONS
19 AND RELATED EXPENSES OF THE COMPANY.

20 (h) WHETHER UNANTICIPATED EVENTS THAT OCCUR AFTER THE DATE OF THE
21 OPINION HAVE BEEN CONSIDERED IN THE ISSUANCE OF THE OPINION.

22 B. ALL ACTUARIAL METHODS, CONSIDERATIONS AND ANALYSIS THAT ARE USED
23 IN FORMING ACTUARIAL OPINIONS PRESCRIBED BY THIS SECTION SHALL COMPLY WITH
24 STANDARDS ADOPTED BY ORDER OF THE DIRECTOR. IN ESTABLISHING STANDARDS, THE
25 DIRECTOR SHALL CONSIDER THE APPLICABLE STANDARDS OF THE AMERICAN ACADEMY OF
26 ACTUARIES.

27 C. IF THE APPOINTED ACTUARY IS UNABLE TO FORM AN OPINION, THE
28 APPOINTED ACTUARY SHALL REFUSE TO ISSUE A STATEMENT OF ACTUARIAL OPINION.
29 IF THE APPOINTED ACTUARY'S OPINION IS ADVERSE OR QUALIFIED, THE APPOINTED
30 ACTUARY SHALL ISSUE AN ADVERSE OR QUALIFIED ACTUARIAL OPINION THAT EXPLICITLY
31 EXPLAINS THE REASONS FOR THE OPINION.

32 D. IF THE APPOINTED ACTUARY DOES NOT EXPRESS AN OPINION REGARDING THE
33 ACCURACY AND COMPLETENESS OF THE LISTINGS AND SUMMARIES OF POLICIES IN FORCE,
34 OR IF ANOTHER PERSON CERTIFIES THE ACCURACY AND COMPLETENESS OF THE LISTINGS
35 AND SUMMARIES OF POLICIES IN FORCE PURSUANT TO THIS SECTION, THE COMPANY
36 OFFICER OR ACCOUNTING FIRM THAT PREPARED THE UNDERLYING DATA SHALL SIGN AND
37 ATTACH A STATEMENT TO THE OPINION INDICATING:

38 1. THE NAME, ADDRESS AND TELEPHONE NUMBER OF THE INDIVIDUAL SIGNING
39 THE STATEMENT.

40 2. AN AFFIRMATION REGARDING THE ACCURACY OF THE LISTINGS AND SUMMARIES
41 OF POLICIES AND CONTRACTS IN FORCE AS OF THE ANNUAL STATEMENT DATE ON WHICH
42 THE ACTUARIAL OPINION IS BASED, INCLUDING THE NAME OF THE INDIVIDUAL WHO
43 PREPARED OR DIRECTED THE PREPARATION OF THE LISTINGS AND SUMMARIES.

1 3. THE EXTENT TO WHICH THE LISTINGS AND SUMMARIES ARE BELIEVED TO BE
2 SUBSTANTIALLY ACCURATE AND COMPLETE.

3 E. EACH COMPANY THAT FILES WITH THE DIRECTOR AN ACTUARIAL OPINION
4 PREPARED PURSUANT TO THIS SECTION SHALL OBTAIN FROM THE APPOINTED ACTUARY WHO
5 PREPARED THE ACTUARIAL OPINION A MEMORANDUM PREPARED PURSUANT TO SECTION
6 20-696.06.

7 20-696.06. Actuarial memorandum including an asset adequacy
8 analysis

9 A. EACH COMPANY SHALL OBTAIN A MEMORANDUM PREPARED PURSUANT TO THIS
10 SECTION FROM THE APPOINTED ACTUARY THAT DESCRIBES THE ANALYSIS DONE IN
11 SUPPORT OF THE ACTUARIAL OPINION PREPARED PURSUANT TO SECTION 20-696.05.

12 B. THE DIRECTOR MAY EXAMINE THE MEMORANDUM PREPARED PURSUANT TO THIS
13 SECTION AND SHALL RETURN THE MEMORANDUM TO THE COMPANY AFTER THE EXAMINATION.
14 THE MEMORANDUM IS NOT A RECORD OF THE DEPARTMENT AND IS NOT SUBJECT TO
15 AUTOMATIC FILING WITH THE DIRECTOR. THE DEPARTMENT MAY USE THE MEMORANDUM
16 IN CONNECTION WITH PROCEEDINGS BROUGHT TO ENFORCE THIS TITLE.

17 C. THE APPOINTED ACTUARY MAY RELY ON AND INCLUDE AS A PART OF THE
18 MEMORANDUM PREPARED PURSUANT TO THIS SECTION DOCUMENTS OR STATEMENTS THAT ARE
19 PREPARED AND SIGNED BY OTHER QUALIFIED ACTUARIES. THE MEMORANDUM SHALL STATE
20 THAT THE APPOINTED ACTUARY RELIED ON OTHER QUALIFIED ACTUARIES TO PREPARE THE
21 MEMORANDUM.

22 D. IF THE DIRECTOR REQUESTS A MEMORANDUM AND NO MEMORANDUM EXISTS OR
23 IF THE DIRECTOR FINDS THAT THE ANALYSIS DESCRIBED IN THE MEMORANDUM FAILS TO
24 MEET THE STANDARDS OF THE ACTUARIAL STANDARDS BOARD OR THE STANDARDS AND
25 REQUIREMENTS OF THIS ARTICLE, THE DIRECTOR MAY DESIGNATE A QUALIFIED ACTUARY
26 TO REVIEW THE OPINION AND TO PREPARE A SUPPORTING MEMORANDUM IF IT IS
27 REQUIRED FOR REVIEW. THE COMPANY SHALL PAY ANY REASONABLE AND NECESSARY
28 EXPENSES THAT ARE INCURRED DURING THE INDEPENDENT REVIEW. THE DIRECTOR SHALL
29 DIRECT AND CONTROL THE INDEPENDENT REVIEW.

30 E. THE REVIEWING ACTUARY WHO IS DESIGNATED UNDER SUBSECTION D OF THIS
31 SECTION HAS THE SAME STATUS AS AN EXAMINER FOR THE PURPOSES OF OBTAINING DATA
32 FROM THE COMPANY. THE DIRECTOR SHALL RETAIN THE WORK PAPERS AND
33 DOCUMENTATION OF THE REVIEWING ACTUARY. THE DIRECTOR SHALL KEEP CONFIDENTIAL
34 ANY INFORMATION THAT IS PROVIDED BY THE COMPANY TO THE REVIEWING ACTUARY AND
35 THAT IS INCLUDED IN THE WORK PAPERS. THE REVIEWING ACTUARY SHALL NOT BE AN
36 EMPLOYEE OF A CONSULTING FIRM THAT WAS INVOLVED WITH THE PREPARATION OF ANY
37 PRIOR ACTUARIAL MEMORANDUM OR ACTUARIAL OPINION FOR THE COMPANY PURSUANT TO
38 THIS ARTICLE DURING THE CURRENT YEAR OR THE PRECEDING THREE YEARS.

39 F. IF AN ACTUARIAL OPINION UNDER SECTION 20-696.05 IS PROVIDED, THE
40 MEMORANDUM SHALL DEMONSTRATE THAT THE ANALYSIS HAS BEEN DONE IN ACCORDANCE
41 WITH THE STANDARDS FOR ASSET ADEQUACY UNDER SECTION 20-696.02 AND ANY
42 ADDITIONAL STANDARDS UNDER THIS ARTICLE. THE MEMORANDUM SHALL SPECIFY ALL
43 OF THE FOLLOWING:

- 1 1. FOR RESERVES:
- 2 (a) PRODUCT DESCRIPTIONS INCLUDING MARKET DESCRIPTIONS, UNDERWRITING
- 3 AND OTHER ASPECTS OF A RISK PROFILE AND THE SPECIFIC RISKS THE APPOINTED
- 4 ACTUARY DEEMS SIGNIFICANT.
- 5 (b) SOURCE OF LIABILITY IN FORCE.
- 6 (c) RESERVE METHOD AND BASIS.
- 7 (d) INVESTMENT RESERVES.
- 8 (e) REINSURANCE ARRANGEMENTS.
- 9 2. FOR ASSETS:
- 10 (a) PORTFOLIO DESCRIPTIONS, INCLUDING A RISK PROFILE THAT DISCLOSES
- 11 THE QUALITY, DISTRIBUTION AND TYPES OF ASSETS.
- 12 (b) INVESTMENT AND DISINVESTMENT ASSUMPTIONS.
- 13 (c) SOURCE OF ASSET DATA.
- 14 (d) ASSET VALUATION BASIS.
- 15 3. ANALYSIS BASIS:
- 16 (a) METHODOLOGY.
- 17 (b) RATIONALE FOR THE INCLUSION OR EXCLUSION OF DIFFERENT BLOCKS OF
- 18 BUSINESS AND HOW PERTINENT RISKS WERE ANALYZED.
- 19 (c) RATIONALE FOR DEGREE OF RIGOR IN ANALYZING DIFFERENT BLOCKS OF
- 20 BUSINESS.
- 21 (d) CRITERIA FOR DETERMINING ASSET ADEQUACY.
- 22 (e) EFFECT OF FEDERAL INCOME TAXES, REINSURANCE AND OTHER RELEVANT
- 23 FACTORS.
- 24 4. SUMMARY OF RESULTS.
- 25 5. CONCLUSIONS.
- 26 G. THE MEMORANDUM SHALL STATE WHETHER THE ACTUARIAL METHODS,
- 27 CONSIDERATION AND ANALYSES THAT WERE USED TO PREPARE THE MEMORANDUM CONFORM
- 28 TO THE APPROPRIATE STANDARDS OF PRACTICE ADOPTED BY THE ACTUARIAL STANDARDS
- 29 BOARD AND THAT THE STANDARDS OF PRACTICE FORM THE BASIS FOR THIS MEMORANDUM.
- 30 H. ALL ACTUARIAL METHODS, CONSIDERATIONS AND ANALYSIS THAT ARE USED
- 31 IN PREPARING THE ACTUARIAL MEMORANDA PRESCRIBED BY THIS SECTION SHALL COMPLY
- 32 WITH STANDARDS ADOPTED BY ORDER OF THE DIRECTOR. IN ESTABLISHING STANDARDS,
- 33 THE DIRECTOR SHALL CONSIDER THE APPLICABLE STANDARDS OF THE AMERICAN ACADEMY
- 34 OF ACTUARIES.
- 35 20-696.07. Additional considerations for analysis
- 36 A. FOR THE PURPOSES OF ASSET ADEQUACY ANALYSIS FOR THE STATEMENT OF
- 37 ACTUARIAL OPINION UNDER SECTION 20-696.05, RESERVES AND ASSETS MAY BE
- 38 AGGREGATED BY EITHER OF THE FOLLOWING METHODS:
- 39 1. AGGREGATE THE RESERVES AND RELATED ACTUARIAL ITEMS AND THE
- 40 SUPPORTING ASSETS FOR DIFFERENT PRODUCTS OR LINES OF BUSINESS, BEFORE
- 41 ANALYZING THE ADEQUACY OF THE COMBINED ASSETS TO MATURE THE COMBINED
- 42 LIABILITIES. THE APPOINTED ACTUARY SHALL BE SATISFIED THAT THE ASSETS HELD
- 43 IN SUPPORT OF THE AGGREGATED RESERVES AND RELATED ACTUARIAL ITEMS ARE MANAGED
- 44 IN A MANNER THAT THE CASH FLOWS FROM THE AGGREGATED ASSETS ARE AVAILABLE TO

1 HELP MATURE THE LIABILITIES FROM THE BLOCKS OF BUSINESS THAT HAVE BEEN
2 AGGREGATED.

3 2. AGGREGATE THE RESULTS OF ASSET ADEQUACY ANALYSIS OF ONE OR MORE
4 PRODUCTS OR LINES OF BUSINESS, THE RESERVES FOR WHICH PROVE THROUGH ANALYSIS
5 TO BE REDUNDANT, WITH THE RESULTS OF ONE OR MORE PRODUCTS OR LINES OF
6 BUSINESS, THE RESERVES FOR WHICH PROVE THROUGH ANALYSIS TO BE DEFICIENT. THE
7 APPOINTED ACTUARY SHALL BE SATISFIED THAT THE ASSET ADEQUACY RESULTS FOR THE
8 VARIOUS PRODUCTS OR LINES OF BUSINESS FOR WHICH THE RESULTS ARE SO AGGREGATED
9 EITHER:

10 (a) ARE DEVELOPED USING CONSISTENT ECONOMIC SCENARIOS.

11 (b) ARE SUBJECT TO MUTUALLY INDEPENDENT RISKS.

12 B. IF THE ACTUARY AGGREGATES RESERVES UNDER SUBSECTION A OF THIS
13 SECTION, THE ACTUARY SHALL DISCLOSE IN THE ACTUARY'S OPINION WHICH METHOD OF
14 AGGREGATION WAS USED AND SHALL DESCRIBE THE AGGREGATION IN THE SUPPORTING
15 MEMORANDUM.

16 C. THE APPOINTED ACTUARY SHALL ANALYZE ONLY THOSE ASSETS THAT ARE HELD
17 IN SUPPORT OF THE RESERVES THAT ARE THE SUBJECT FOR SPECIFIC ANALYSIS AND
18 THAT ARE CALLED "SPECIFIED RESERVES". A PARTICULAR ASSET OR PORTION OF A
19 PARTICULAR ASSET THAT SUPPORTS A GROUP OF SPECIFIED RESERVES CANNOT SUPPORT
20 ANY OTHER GROUP OF SPECIFIED RESERVES. AN ASSET MAY BE ALLOCATED OVER
21 SEVERAL GROUPS OF SPECIFIED RESERVES. EXCEPT PURSUANT TO SUBSECTION D OF
22 THIS SECTION, THE ANNUAL STATEMENT VALUE OF THE ASSETS THAT ARE HELD IN
23 SUPPORT OF THE RESERVES SHALL NOT EXCEED THE ANNUAL STATEMENT VALUE OF THE
24 SPECIFIED RESERVES. IF THE METHOD OF ASSET ALLOCATION IS NOT CONSISTENT FROM
25 YEAR TO YEAR, THE SUPPORTING MEMORANDUM SHALL DESCRIBE THE EXTENT OF ITS
26 INCONSISTENCY.

27 D. AN ASSET ADEQUACY ANALYSIS SHALL USE AN APPROPRIATE ALLOCATION OF
28 ASSETS IN THE AMOUNT OF THE INTEREST MAINTENANCE RESERVE, WHETHER POSITIVE
29 OR NEGATIVE. AN ANALYSIS OF RISKS REGARDING ASSET DEFAULT MAY INCLUDE AN
30 APPROPRIATE ALLOCATION OF ASSETS SUPPORTING THE ASSET VALUATION RESERVE. THE
31 ASSET VALUATION RESERVE ASSETS MAY NOT BE APPLIED TO ANY OTHER RISKS WITH
32 RESPECT TO RESERVE ADEQUACY. AN ANALYSIS OF THESE AND OTHER RISKS MAY
33 INCLUDE ASSETS SUPPORTING OTHER MANDATORY OR VOLUNTARY RESERVES THAT ARE
34 AVAILABLE TO THE EXTENT THEY ARE NOT USED FOR RISK ANALYSIS AND RESERVE
35 SUPPORT. THE MEMORANDUM SHALL DISCLOSE THE AMOUNT OF THE ASSETS USED FOR THE
36 ASSET VALUATION RESERVE IN THE TABLE OF RESERVES AND LIABILITIES OF THE
37 OPINION AND SHALL ALSO DISCLOSE THE METHOD THAT WAS USED FOR SELECTING
38 PARTICULAR ASSETS OR ALLOCATED PORTIONS OF ASSETS.

39 E. FOR THE PURPOSES OF PERFORMING THE ASSET ADEQUACY ANALYSIS REQUIRED
40 BY THIS ARTICLE, THE QUALIFIED ACTUARY SHALL COMPLY WITH STANDARDS ADOPTED
41 BY ORDER OF THE DIRECTOR. IN ESTABLISHING STANDARDS, THE DIRECTOR SHALL
42 CONSIDER THE STANDARDS THAT ARE ADOPTED BY THE ACTUARIAL STANDARDS BOARD.
43 THE APPOINTED ACTUARY SHALL CONSIDER IN THE ANALYSIS THE EFFECT OF AT LEAST
44 THE FOLLOWING INTEREST RATE SCENARIOS:

- 1 1. LEVEL WITH NO DEVIATION.
- 2 2. UNIFORMLY INCREASING OVER TEN YEARS AT A HALF PER CENT PER YEAR AND
- 3 THEN LEVEL.
- 4 3. UNIFORMLY INCREASING AT ONE PER CENT PER YEAR OVER FIVE YEARS AND
- 5 THEN UNIFORMLY DECREASING AT ONE PER CENT PER YEAR TO THE ORIGINAL LEVEL AT
- 6 THE END OF TEN YEARS AND THEN LEVEL.
- 7 4. AN IMMEDIATE INCREASE OF THREE PER CENT AND THEN LEVEL.
- 8 5. UNIFORMLY DECREASING OVER TEN YEARS AT A HALF PER CENT PER YEAR AND
- 9 THEN LEVEL.
- 10 6. UNIFORMLY DECREASING AT ONE PER CENT PER YEAR OVER FIVE YEARS AND
- 11 THEN UNIFORMLY INCREASING AT ONE PER CENT PER YEAR TO THE ORIGINAL LEVEL AT
- 12 THE END OF TEN YEARS AND THEN LEVEL.
- 13 7. AN IMMEDIATE DECREASE OF THREE PER CENT AND THEN LEVEL.
- 14 F. FOR THE PURPOSES OF SUBSECTION E OF THIS SECTION, THE PROJECTED
- 15 INTEREST RATES FOR A FIVE YEAR TREASURY NOTE DO NOT NEED TO BE REDUCED BEYOND
- 16 THE POINT AT WHICH THE FIVE YEAR TREASURY NOTE YIELD WOULD BE FIFTY PER CENT
- 17 OF ITS INITIAL LEVEL. THE BEGINNING INTEREST RATES MAY BE BASED ON INTEREST
- 18 RATES FOR NEW INVESTMENTS AS OF THE VALUATION DATE THAT ARE SIMILAR TO RECENT
- 19 INVESTMENTS ALLOCATED TO SUPPORT THE PRODUCT BEING TESTED OR THAT ARE BASED
- 20 ON AN OUTSIDE INDEX OF ASSETS OF THE APPROPRIATE LENGTH ON A DATE CLOSE TO
- 21 THE VALUATION DATE. THE APPOINTED ACTUARY SHALL SPECIFICALLY DEFINE WHICH
- 22 METHOD IS USED TO DETERMINE THE BEGINNING YIELD CURVE AND ASSOCIATED INTEREST
- 23 RATES. THE BEGINNING YIELD CURVE AND ASSOCIATED INTEREST RATES SHALL BE
- 24 CONSISTENT FOR ALL INTEREST RATE SCENARIOS.
- 25 G. THE COMPANY AND APPOINTED ACTUARY SHALL RETAIN FOR AT LEAST SEVEN
- 26 YEARS SUFFICIENT DOCUMENTATION THAT INDICATES THE PROCEDURES FOLLOWED, THE
- 27 ANALYSES PERFORMED, THE BASES FOR ASSUMPTIONS AND THE RESULTS OBTAINED.
- 28 Sec. 13. Section 20-882, Arizona Revised Statutes, is amended to read:
- 29 20-882. Applicable insurance provisions
- 30 Fraternal benefit societies are governed by this article and are
- 31 subject to and governed by the following articles and sections of this title
- 32 to the extent that the articles and sections apply to the societies and are
- 33 not modified by the provisions of this article:
- 34 1. Chapter 1, articles 1 and 2 of this title.
- 35 2. Chapter 2, article 1 of this title, except that sections 20-209
- 36 through 20-214, 20-224, 20-224.01, 20-224.02, 20-225, 20-226, 20-227 and
- 37 20-229 do not apply to fraternal benefit societies.
- 38 3. Sections 20-501 through 20-505 and 20-511 through 20-514.
- 39 4. Chapter 3, article 2 of this title, except that section 20-535,
- 40 section 20-536, subsections B and C and section 20-556, paragraphs 4 and 6
- 41 do not apply to limitations with respect to monies invested in real property
- 42 for home or branch office purposes.

1 5. Chapter 3, article 4 of this title.

2 6. CHAPTER 3, ARTICLE 8 OF THIS TITLE.

3 ~~6-~~ 7. Sections 20-1110, 20-1111, 20-1115, 20-1133 and 20-1135.

4 ~~7-~~ 8. Section 20-1408.

5 Sec. 14. Title 20, Arizona Revised Statutes, is amended by adding
6 chapter 16, to read:

7 CHAPTER 16

8 VARIABLE LIFE PRODUCTS

9 ARTICLE 1. VARIABLE LIFE INSURANCE

10 20-2601. Definitions

11 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

12 1. "AFFILIATE" MEANS A PERSON WHO DIRECTLY OR INDIRECTLY CONTROLS, IS
13 CONTROLLED BY OR IS UNDER COMMON CONTROL WITH AN INSURER, A PERSON WHO FOR
14 A SPECIFIC FEE OR COMMISSION REGULARLY FURNISHES INVESTMENT ADVICE TO AN
15 INSURER WITH RESPECT TO THE INSURER'S SEPARATE ACCOUNTS OR A DIRECTOR,
16 OFFICER, PARTNER OR EMPLOYEE OR A MEMBER OF THE IMMEDIATE FAMILY OF A
17 DIRECTOR, OFFICER, PARTNER OR EMPLOYEE OF AN INSURER, CONTROLLING OR
18 CONTROLLED PERSON OR PERSON PROVIDING INVESTMENT ADVICE.

19 2. "AGENT" MEANS ANY PERSON, CORPORATION, PARTNERSHIP OR OTHER LEGAL
20 ENTITY THAT IS LICENSED BY THIS STATE AS A LIFE INSURANCE AGENT.

21 3. "ASSUMED INVESTMENT RATE" MEANS THE RATE OF INVESTMENT RETURN THAT
22 IS REQUIRED TO BE CREDITED TO A VARIABLE LIFE INSURANCE POLICY, AFTER THE
23 DEDUCTION OF CHARGES FOR TAXES, INVESTMENT EXPENSES AND MORTALITY AND EXPENSE
24 GUARANTEES, TO MAINTAIN THE VARIABLE DEATH BENEFIT IN AN AMOUNT THAT IS EQUAL
25 AT ALL TIMES TO THE AMOUNT OF THE DEATH BENEFIT, OTHER THAN INCIDENTAL
26 INSURANCE BENEFITS, THAT WOULD BE PAYABLE UNDER THE PLAN OF INSURANCE IF THE
27 DEATH BENEFIT DID NOT VARY ACCORDING TO THE INVESTMENT EXPERIENCE OF THE
28 SEPARATE ACCOUNT.

29 4. "BENEFIT BASE" MEANS THE AMOUNT TO WHICH THE NET INVESTMENT RETURN
30 IS APPLIED.

31 5. "CONTROL" OR "CONTROLLING" HAVE THE SAME MEANING PRESCRIBED FOR THE
32 TERMS IN SECTION 20-481, PARAGRAPH 3 AND INCLUDES THE TERMS "CONTROLLED BY"
33 AND "UNDER COMMON CONTROL WITH".

34 6. "FLEXIBLE PREMIUM POLICY" MEANS A VARIABLE LIFE INSURANCE POLICY
35 OTHER THAN A SCHEDULED PREMIUM POLICY.

36 7. "GENERAL ACCOUNT" MEANS ALL OF THE ASSETS OF AN INSURER OTHER THAN
37 ASSETS IN SEPARATE ACCOUNTS ESTABLISHED PURSUANT TO SECTION 20-651 OR THE
38 INSURANCE LAWS OF THE INSURER'S STATE OF DOMICILE IF THE INSURER IS A FOREIGN
39 OR ALIEN INSURER.

40 8. "INCIDENTAL INSURANCE BENEFIT" MEANS ALL OF THE INSURANCE BENEFITS
41 IN A VARIABLE LIFE INSURANCE POLICY EXCEPT THE VARIABLE DEATH BENEFIT AND THE
42 MINIMUM DEATH BENEFIT. INCIDENTAL INSURANCE BENEFIT DOES NOT INCLUDE
43 ACCIDENTAL DEATH AND DISMEMBERMENT BENEFITS, DISABILITY BENEFITS, GUARANTEED
44 INSURABILITY OPTIONS, FAMILY INCOME OR TERM RIDERS.

1 9. "MINIMUM DEATH BENEFIT" MEANS THE AMOUNT OF THE GUARANTEED DEATH
2 BENEFIT, EXCEPT INCIDENTAL INSURANCE BENEFITS, THAT IS PAYABLE UNDER A
3 VARIABLE LIFE INSURANCE POLICY REGARDLESS OF THE INVESTMENT PERFORMANCE OF
4 THE SEPARATE ACCOUNT.

5 10. "NET INVESTMENT RETURN" MEANS THE RATE OF INVESTMENT RETURN IN A
6 SEPARATE ACCOUNT THAT IS APPLIED TO THE BENEFIT BASE.

7 11. "POLICY PROCESSING DAY" MEANS THE DAY ON WHICH THE CHARGES THAT ARE
8 AUTHORIZED IN A POLICY ARE DEDUCTED FROM THE POLICY'S CASH VALUE.

9 12. "SCHEDULED PREMIUM POLICY" MEANS A VARIABLE LIFE INSURANCE POLICY
10 UNDER WHICH BOTH THE AMOUNT AND TIMING OF PREMIUM PAYMENTS ARE FIXED BY THE
11 INSURER.

12 13. "SEPARATE ACCOUNT" MEANS A SEPARATE ACCOUNT ESTABLISHED PURSUANT
13 TO SECTION 20-651 OR THE INSURANCE LAWS OF THE INSURER'S STATE OF DOMICILE
14 IF THE INSURER IS A FOREIGN OR ALIEN INSURER.

15 14. "VARIABLE DEATH BENEFIT" MEANS THE AMOUNT OF THE DEATH BENEFIT,
16 EXCEPT INCIDENTAL INSURANCE BENEFITS, THAT IS PAYABLE UNDER A VARIABLE LIFE
17 INSURANCE POLICY, THAT IS DEPENDENT ON THE INVESTMENT PERFORMANCE OF THE
18 SEPARATE ACCOUNT AND THAT THE INSURER MUST PAY IN THE ABSENCE OF ANY MINIMUM
19 DEATH BENEFIT.

20 15. "VARIABLE LIFE INSURANCE POLICY" MEANS AN INDIVIDUAL POLICY THAT
21 PROVIDES FOR LIFE INSURANCE, THE AMOUNT OR DURATION OF WHICH VARIES ACCORDING
22 TO THE INVESTMENT EXPERIENCE OF ANY SEPARATE ACCOUNT OR ACCOUNTS THAT ARE
23 ESTABLISHED AND MAINTAINED BY THE INSURER PURSUANT TO SECTION 20-651 OR THE
24 INSURANCE LAWS OF THE INSURER'S STATE OF DOMICILE IF THE INSURER IS A FOREIGN
25 OR ALIEN INSURER.

26 20-2602. Requirements applicable to insurers issuing variable
27 life insurance

28 A. AN INSURER SHALL NOT DELIVER OR ISSUE FOR DELIVERY IN THIS STATE
29 A VARIABLE LIFE INSURANCE POLICY UNLESS ALL OF THE FOLLOWING APPLY:

30 1. THE INSURER IS LICENSED TO TRANSACT LIFE INSURANCE BUSINESS IN THIS
31 STATE.

32 2. THE DIRECTOR GIVES WRITTEN APPROVAL TO THE INSURER FOR THE ISSUANCE
33 OF VARIABLE LIFE INSURANCE POLICIES IN THIS STATE. THE DIRECTOR SHALL GRANT
34 THE WRITTEN APPROVAL ONLY AFTER FINDING THAT:

35 (a) THE PLAN OF OPERATION FOR THE ISSUANCE OF VARIABLE LIFE INSURANCE
36 POLICIES IS NOT UNSOUND.

37 (b) THE GENERAL CHARACTER, REPUTATION AND EXPERIENCE OF THE MANAGEMENT
38 AND THOSE PERSONS OR FIRMS THAT THE INSURER PROPOSES TO SUPPLY CONSULTING,
39 INVESTMENT, ADMINISTRATIVE OR CUSTODIAL SERVICES TO THE INSURER WILL
40 REASONABLY RESULT IN THE COMPETENT OPERATION OF THE VARIABLE LIFE INSURANCE
41 BUSINESS OF THE INSURER IN THIS STATE.

1 (c) THE FINANCIAL CONDITION OF THE INSURER AND ITS METHOD OF OPERATION
2 IN CONNECTION WITH THE ISSUANCE OF VARIABLE LIFE POLICIES IS NOT LIKELY TO
3 HARM THE PUBLIC OR ITS POLICYHOLDERS IN THIS STATE. THE DIRECTOR SHALL
4 CONSIDER AT LEAST THE FOLLOWING:

5 (i) THE INSURER'S HISTORY OF OPERATION AND FINANCIAL CONDITION.

6 (ii) THE QUALIFICATIONS, FITNESS, CHARACTER, RESPONSIBILITY,
7 REPUTATION AND EXPERIENCE OF THE OFFICERS, DIRECTORS AND OTHER MANAGEMENT
8 PERSONNEL OF THE INSURER AND OF THOSE PERSONS OR FIRMS THAT THE INSURER
9 PROPOSES TO SUPPLY CONSULTING, INVESTMENT, ADMINISTRATIVE OR CUSTODIAL
10 SERVICES TO THE INSURER.

11 (iii) THE APPLICABLE LAW UNDER WHICH THE INSURER IS AUTHORIZED IN ITS
12 STATE OF DOMICILE TO ISSUE VARIABLE LIFE INSURANCE POLICIES. THE STATE OF
13 ENTRY OF AN ALIEN INSURER IS DEEMED TO BE ITS STATE OF DOMICILE.

14 (iv) IF THE INSURER IS A SUBSIDIARY OF OR IS AFFILIATED BY COMMON
15 MANAGEMENT OR OWNERSHIP WITH ANOTHER COMPANY, THE INSURER'S RELATIONSHIP TO
16 THE OTHER COMPANY AND THE DEGREE TO WHICH THE REQUESTING INSURER AND THE
17 OTHER COMPANY MEET THESE STANDARDS.

18 B. BEFORE DELIVERING OR ISSUING FOR DELIVERY IN THIS STATE A VARIABLE
19 LIFE INSURANCE POLICY, AN INSURER SHALL FILE THE FOLLOWING INFORMATION WITH
20 THE DIRECTOR:

21 1. COPIES AND A GENERAL DESCRIPTION OF THE VARIABLE LIFE INSURANCE
22 POLICIES THE INSURER INTENDS TO ISSUE.

23 2. A GENERAL DESCRIPTION OF THE INSURER'S METHODS OF OPERATION OF THE
24 VARIABLE LIFE INSURANCE BUSINESS, INCLUDING THE METHODS OF POLICY
25 DISTRIBUTION AND THE NAMES OF THOSE PERSONS OR FIRMS THAT THE INSURER
26 PROPOSES TO SUPPLY CONSULTING, INVESTMENT, ADMINISTRATIVE, CUSTODIAL OR
27 DISTRIBUTION SERVICES TO THE INSURER.

28 3. WITH RESPECT TO A SEPARATE ACCOUNT THAT THE INSURER MAINTAINS FOR
29 ANY VARIABLE LIFE INSURANCE POLICY, A STATEMENT OF THE INVESTMENT POLICY THAT
30 THE ISSUER INTENDS TO FOLLOW FOR THE INVESTMENT OF THE ASSETS THAT ARE HELD
31 IN THE SEPARATE ACCOUNT AND A STATEMENT OF THE PROCEDURES FOR CHANGING THE
32 INVESTMENT POLICY. THE STATEMENT OF INVESTMENT POLICY SHALL INCLUDE A
33 DESCRIPTION OF THE INVESTMENT OBJECTIVES THAT ARE INTENDED FOR THE SEPARATE
34 ACCOUNT.

35 4. A DESCRIPTION OF ANY CONTEMPLATED INVESTMENT ADVISORY SERVICES THAT
36 SATISFIES SECTION 20-2606, SUBSECTION L.

37 5. A COPY OF THE STATUTES AND RULES OF THE INSURER'S STATE OF DOMICILE
38 UNDER WHICH THE INSURER IS AUTHORIZED TO ISSUE VARIABLE LIFE INSURANCE
39 POLICIES, UNLESS THE INSURER IS DOMICILED IN THIS STATE.

40 6. A COMPLETED NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS'
41 UNIFORM BIOGRAPHICAL DATA FORM FOR THE OFFICERS AND DIRECTORS OF THE INSURER.

42 7. A STATEMENT THAT IS COMPLETED BY THE INSURER'S ACTUARY AND THAT
43 DESCRIBES THE MORTALITY AND EXPENSE RISKS THAT THE INSURER WILL BEAR UNDER
44 THE POLICY.

1 8. A STATEMENT THAT DESCRIBES THE METHOD OF COMPUTATION OF CASH VALUES
2 AND OTHER NONFORFEITURE BENEFITS IF NOT DESCRIBED IN THE POLICY.

3 C. EACH INSURER THAT SEEKS TO ENTER INTO THE VARIABLE LIFE INSURANCE
4 BUSINESS IN THIS STATE SHALL ESTABLISH AND MAINTAIN A WRITTEN STATEMENT AND
5 SHALL SPECIFY IN THE STATEMENT THE STANDARDS OF SUITABILITY THE INSURER WILL
6 USE. THE STANDARDS OF SUITABILITY SHALL SPECIFY THE FOLLOWING:

7 1. THAT AN INSURER SHALL NOT MAKE A RECOMMENDATION TO AN APPLICANT TO
8 PURCHASE A VARIABLE LIFE INSURANCE POLICY.

9 2. THAT A VARIABLE LIFE INSURANCE POLICY SHALL NOT BE ISSUED IF AFTER
10 THE AGENT MAKING THE RECOMMENDATION OR THE INSURER CONSIDERS THE APPLICANT'S
11 INSURANCE AND INVESTMENT OBJECTIVES, FINANCIAL SITUATION AND NEEDS AND ANY
12 OTHER INFORMATION KNOWN TO THE INSURER OR THE AGENT, THE INSURER OR AGENT
13 DETERMINES THAT THE PURCHASE OF THE POLICY IS UNSUITABLE FOR THE APPLICANT.

14 D. AN INSURER AUTHORIZED TO TRANSACT VARIABLE LIFE INSURANCE BUSINESS
15 IN THIS STATE SHALL NOT USE ANY SALES MATERIAL, ADVERTISING MATERIAL,
16 DESCRIPTIVE LITERATURE OR OTHER MATERIAL OF ANY KIND IN CONNECTION WITH ITS
17 VARIABLE LIFE INSURANCE BUSINESS IN THIS STATE THAT IS FALSE, MISLEADING,
18 DECEPTIVE OR INACCURATE. VARIABLE LIFE INSURANCE SALES MATERIAL, ADVERTISING
19 MATERIAL AND DESCRIPTIVE LITERATURE ARE SUBJECT TO SECTION 20-1110,
20 SUBSECTION E.

21 E. A MATERIAL CONTRACT THAT IS ENTERED INTO BETWEEN AN INSURER AND A
22 SUPPLIER OF CONSULTING, INVESTMENT, ADMINISTRATIVE, SALES, MARKETING,
23 CUSTODIAL OR OTHER SERVICES WITH RESPECT TO VARIABLE LIFE INSURANCE
24 OPERATIONS SHALL BE IN WRITING AND SHALL STATE THAT ON THE DIRECTOR'S REQUEST
25 THE SUPPLIER OF THE SERVICES SHALL FURNISH TO THE DIRECTOR ANY INFORMATION
26 OR REPORTS IN CONNECTION WITH THE SERVICES THAT WOULD ALLOW THE DIRECTOR TO
27 DETERMINE IF THE VARIABLE LIFE INSURANCE OPERATIONS OF THE INSURER ARE BEING
28 CONDUCTED IN A MANNER THAT IS CONSISTENT WITH THIS ARTICLE.

29 20-2603. Reports

30 A. IN ADDITION TO ANY OTHER MATERIALS AN INSURER IS REQUIRED TO SUBMIT
31 TO THE DIRECTOR PURSUANT TO THIS ARTICLE, AN INSURER AUTHORIZED TO TRANSACT
32 VARIABLE LIFE INSURANCE BUSINESS IN THIS STATE SHALL SUBMIT THE FOLLOWING TO
33 THE DIRECTOR:

34 1. AN ANNUAL STATEMENT OF THE BUSINESS OF ITS SEPARATE ACCOUNT OR
35 ACCOUNTS IN A FORM THAT THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
36 PRESCRIBES.

37 2. BEFORE ITS USE IN THIS STATE, ANY INFORMATION THAT THE INSURER
38 FURNISHES TO APPLICANTS PURSUANT TO SECTION 20-2607.

39 3. BEFORE ITS USE IN THIS STATE, THE FORM OF THE REPORTS TO
40 POLICYHOLDERS THAT ARE PRESCRIBED BY SECTION 20-2609.

41 4. ANY ADDITIONAL INFORMATION CONCERNING THE INSURER'S VARIABLE LIFE
42 INSURANCE OPERATIONS OR SEPARATE ACCOUNTS AS THE DIRECTOR DEEMS NECESSARY.

1 B. THE DIRECTOR SHALL DISAPPROVE ANY MATERIAL THAT IS SUBMITTED UNDER
2 THIS SECTION THAT THE DIRECTOR FINDS TO BE FALSE, MISLEADING, DECEPTIVE OR
3 INACCURATE IN ANY MATERIAL RESPECT. IF THE MATERIAL WAS PREVIOUSLY
4 DISTRIBUTED, THE DIRECTOR SHALL REQUIRE THAT THE INSURER DISTRIBUTE AMENDED
5 MATERIAL.

6 C. THE DIRECTOR MAY DISAPPROVE ANY MATERIAL THAT IS FILED WITH THE
7 DIRECTOR IF AT ANY TIME THE DIRECTOR FINDS THAT THE MATERIAL DOES NOT COMPLY
8 WITH THE STANDARDS ESTABLISHED PURSUANT TO THE LAWS OF THIS STATE.

9 20-2604. Variable life insurance policy and filing requirements

10 A. EXCEPT PURSUANT TO CHAPTER 5, ARTICLE 1 OF THIS TITLE, THE DIRECTOR
11 SHALL NOT APPROVE A VARIABLE LIFE INSURANCE FORM UNLESS THE INSURER FILES
12 WITH THE DIRECTOR ITS VARIABLE LIFE INSURANCE POLICIES, AND ALL RIDERS,
13 ENDORSEMENTS, APPLICATIONS AND OTHER DOCUMENTS THAT ARE ATTACHED TO THE
14 POLICY AND THAT RELATE TO THE VARIABLE NATURE OF THE POLICY, AND THE DIRECTOR
15 APPROVES EACH POLICY BEFORE THE POLICY IS DELIVERED OR ISSUED FOR DELIVERY
16 IN THIS STATE. FOR THE PURPOSES OF THIS SUBSECTION THE PROCEDURES AND
17 REQUIREMENTS FOR THE FILING AND APPROVAL OF VARIABLE LIFE INSURANCE POLICIES
18 SHALL BE THE SAME AS THE FILING AND APPROVAL PROCEDURES THAT APPLY TO OTHER
19 LIFE INSURANCE POLICIES, TO THE EXTENT THOSE PROCEDURES ARE NOT INCONSISTENT
20 WITH THIS ARTICLE.

21 B. A VARIABLE LIFE INSURANCE POLICY THAT IS DELIVERED OR ISSUED FOR
22 DELIVERY IN THIS STATE SHALL COMPLY WITH THE FOLLOWING MINIMUM REQUIREMENTS:

23 1. THE INSURER SHALL BEAR MORTALITY AND EXPENSE RISKS. THE MORTALITY
24 AND EXPENSE CHARGES ARE SUBJECT TO THE MAXIMUMS STATED IN THE POLICY.

25 2. FOR SCHEDULED PREMIUM POLICIES, THE INSURER SHALL PROVIDE A MINIMUM
26 DEATH BENEFIT IN AN AMOUNT THAT EQUALS OR EXCEEDS THE INITIAL FACE AMOUNT OF
27 THE POLICY AS LONG AS THE INSURED PAYS THE PREMIUMS.

28 3. THE POLICY SHALL REFLECT THE INVESTMENT EXPERIENCE OF ONE OR MORE
29 SEPARATE ACCOUNTS THAT ARE ESTABLISHED AND MAINTAINED BY THE INSURER. THE
30 INSURER SHALL DEMONSTRATE THAT THE REFLECTION OF INVESTMENT EXPERIENCE IN THE
31 VARIABLE LIFE INSURANCE POLICY IS ACTUARIALLY SOUND.

32 4. EACH VARIABLE LIFE INSURANCE POLICY SHALL BE CREDITED WITH THE FULL
33 AMOUNT OF THE NET INVESTMENT RETURN THAT IS APPLIED TO THE BENEFIT BASE.

34 5. AT LEAST ANNUALLY THE INSURER SHALL DETERMINE ANY CHANGES IN THE
35 VARIABLE DEATH BENEFITS OF EACH VARIABLE LIFE INSURANCE POLICY.

36 6. AT LEAST MONTHLY THE INSURER SHALL DETERMINE THE CASH VALUE OF EACH
37 VARIABLE LIFE INSURANCE POLICY. THE METHOD OF COMPUTATION OF CASH VALUES AND
38 OTHER NONFORFEITURE BENEFITS SHALL BE IN ACCORDANCE WITH ACTUARIAL PROCEDURES
39 THAT RECOGNIZE THE VARIABLE NATURE OF THE POLICY. IF THE NET INVESTMENT
40 RETURN THAT IS CREDITED TO THE POLICY AT ALL TIMES FROM THE DATE OF ISSUE IS
41 EQUAL TO THE ASSUMED INVESTMENT RATE WITH PREMIUMS AND BENEFITS DETERMINED
42 ACCORDINGLY UNDER THE TERMS OF THE POLICY, THE RESULTING CASH VALUES SHALL
43 NOT BE LESS THAN THE MINIMUM VALUES THAT ARE REQUIRED BY SECTION 20-1231 FOR
44 A GENERAL ACCOUNT POLICY WITH THESE PREMIUMS AND BENEFITS. THE ASSUMED

1 INVESTMENT RATE SHALL NOT EXCEED THE MAXIMUM INTEREST RATE PERMITTED UNDER
2 SECTION 20-1231. IF THE POLICY DOES NOT CONTAIN AN ASSUMED INVESTMENT RATE
3 THE METHOD OF COMPUTATION SHALL BE BASED ON THE MAXIMUM INTEREST RATE
4 PERMITTED UNDER SECTION 20-1231. THE METHOD OF COMPUTATION MAY DISREGARD
5 INCIDENTAL MINIMUM GUARANTEES AS TO THE DOLLAR AMOUNTS PAYABLE. FOR THE
6 PURPOSES OF THIS PARAGRAPH INCIDENTAL MINIMUM GUARANTEES INCLUDE A GUARANTEE
7 THAT THE AMOUNT PAYABLE AT DEATH OR MATURITY SHALL EQUAL OR EXCEED THE AMOUNT
8 THAT OTHERWISE WOULD HAVE BEEN PAYABLE IF THE NET INVESTMENT RETURN CREDITED
9 TO THE POLICY AT ALL TIMES FROM THE DATE OF ISSUE HAD BEEN EQUAL TO THE
10 ASSUMED INVESTMENT RATE.

11 C. THE INSURER MAY BASE THE COMPUTATION OF VALUES THAT ARE REQUIRED
12 FOR EACH VARIABLE LIFE INSURANCE POLICY ON ANY REASONABLE AND NECESSARY
13 APPROXIMATIONS THAT THE DIRECTOR ACCEPTS.

14 D. EACH VARIABLE LIFE INSURANCE POLICY THAT IS FILED FOR APPROVAL IN
15 THIS STATE SHALL CONTAIN AT LEAST THE FOLLOWING:

16 1. THE COVER PAGE OR A PAGE THAT CORRESPONDS TO THE COVER PAGE OF EACH
17 POLICY THAT:

18 (a) PROMINENTLY STATES IN EITHER A CONTRASTING COLOR OR BOLD-FACED
19 TYPE THAT THE AMOUNT OR DURATION OF THE DEATH BENEFIT MAY BE VARIABLE OR
20 FIXED UNDER SPECIFIED CONDITIONS.

21 (b) PROMINENTLY STATES IN EITHER A CONTRASTING COLOR OR BOLD-FACED
22 TYPE THAT CASH VALUES MAY INCREASE OR DECREASE ACCORDING TO THE EXPERIENCE
23 OF THE SEPARATE ACCOUNT, SUBJECT TO ANY SPECIFIED MINIMUM GUARANTEES.

24 (c) DESCRIBES ANY MINIMUM DEATH BENEFIT THAT IS REQUIRED PURSUANT TO
25 SUBSECTION B, PARAGRAPH 2 OF THIS SECTION.

26 (d) DESCRIBES THE METHOD OR REFERS TO THE POLICY PROVISION THAT
27 DESCRIBES THE METHOD FOR DETERMINING THE AMOUNT OF INSURANCE PAYABLE AT
28 DEATH.

29 (e) INFORMS THE POLICYHOLDER THAT THE POLICYHOLDER MAY RETURN THE
30 VARIABLE LIFE INSURANCE POLICY WITHIN TEN DAYS AFTER RECEIVING THE POLICY AND
31 RECEIVE A REFUND THAT EQUALS THE SUM OF:

32 (i) THE DIFFERENCE BETWEEN THE PREMIUMS PAID AND THE AMOUNTS ALLOCATED
33 TO ANY SEPARATE ACCOUNTS UNDER THE POLICY.

34 (ii) THE VALUE OF THE AMOUNTS THAT ARE ALLOCATED TO ANY SEPARATE
35 ACCOUNTS UNDER THE POLICY ON THE DATE THE RETURNED POLICY IS RECEIVED BY THE
36 INSURER OR THE INSURER'S AGENT.

37 (f) IDENTIFIES THE OWNER OF THE CONTRACT.

38 (g) INCLUDES ITEMS THAT ARE REQUIRED FOR FIXED BENEFIT LIFE INSURANCE
39 POLICIES AND THAT ARE NOT INCONSISTENT WITH THIS ARTICLE.

40 2. FOR SCHEDULED PREMIUM POLICIES, A GRACE PERIOD PROVISION OF NOT
41 LESS THAN THIRTY-ONE DAYS FROM THE PREMIUM DUE DATE. THE GRACE PERIOD SHALL
42 PROVIDE THAT IF THE PREMIUM IS PAID WITHIN THE GRACE PERIOD, THE POLICY
43 VALUES WILL BE THE SAME AS IF THE PREMIUM HAD BEEN PAID ON OR BEFORE THE DUE
44 DATE, EXCEPT FOR THE DEDUCTION OF ANY OVERDUE PREMIUM.

1 3. FOR FLEXIBLE PREMIUM POLICIES, A GRACE PERIOD PROVISION THAT BEGINS
2 ON THE POLICY PROCESSING DAY ON WHICH THE TOTAL CHARGES THAT ARE AUTHORIZED
3 BY THE POLICY AND THAT ARE NECESSARY TO KEEP THE POLICY IN FORCE UNTIL THE
4 NEXT POLICY PROCESSING DAY EXCEED THE AMOUNTS AVAILABLE UNDER THE POLICY TO
5 PAY THE CHARGES ACCORDING TO THE TERMS OF THE POLICY. THE GRACE PERIOD SHALL
6 END ON A DATE NOT LESS THAN SIXTY-ONE DAYS AFTER THE REPORT TO POLICYHOLDERS
7 IS MAILED PURSUANT TO SECTION 20-2609, PARAGRAPH 1. THE DEATH BENEFIT THAT
8 IS PAYABLE DURING THE GRACE PERIOD SHALL EQUAL THE DEATH BENEFIT THAT WAS IN
9 EFFECT IMMEDIATELY BEFORE THE GRACE PERIOD LESS ANY OVERDUE CHARGES. IF THE
10 POLICY PROCESSING DAYS OCCUR MONTHLY, THE INSURER MAY REQUIRE THE PAYMENT OF
11 NOT MORE THAN THREE TIMES THE CHARGES THAT WERE DUE ON THE POLICY PROCESSING
12 DAY ON WHICH THE AMOUNTS AVAILABLE UNDER THE POLICY WERE INSUFFICIENT TO PAY
13 ALL OF THE CHARGES THAT ARE AUTHORIZED BY THE POLICY AND THAT ARE NECESSARY
14 TO KEEP THE POLICY IN FORCE UNTIL THE NEXT POLICY PROCESSING DAY.

15 4. FOR SCHEDULED PREMIUM POLICIES, A REINSTATEMENT PROVISION THAT
16 STATES THAT THE POLICY SHALL BE REINSTATED AT ANY TIME WITHIN TWO YEARS FROM
17 THE DATE OF DEFAULT ON THE OCCURRENCE OF ALL OF THE FOLLOWING:

18 (a) THE WRITTEN APPLICATION OF THE INSURED AND ON THE PRESENTATION OF
19 EVIDENCE OF INSURABILITY, INCLUDING GOOD HEALTH, THAT IS SATISFACTORY TO THE
20 INSURER, UNLESS THE CASH SURRENDER VALUE HAS BEEN PAID OR THE PERIOD OF
21 EXTENDED INSURANCE HAS EXPIRED.

22 (b) THE PAYMENT OF ANY OUTSTANDING INDEBTEDNESS THAT AROSE AFTER THE
23 END OF THE GRACE PERIOD FOLLOWING THE DATE OF DEFAULT TOGETHER WITH ACCRUED
24 INTEREST ON THE INDEBTEDNESS TO THE DATE OF REINSTATEMENT.

25 (c) PAYMENT OF AN AMOUNT NOT EXCEEDING THE GREATER OF:

26 (i) ALL OVERDUE PREMIUMS WITH INTEREST AT A RATE OF NOT MORE THAN SIX
27 PER CENT PER ANNUM COMPOUNDED ANNUALLY AND ANY INDEBTEDNESS IN EFFECT AT THE
28 END OF THE GRACE PERIOD FOLLOWING THE DATE OF DEFAULT WITH INTEREST AT A RATE
29 OF NOT MORE THAN SIX PER CENT PER ANNUM COMPOUNDED ANNUALLY.

30 (ii) ONE HUNDRED TEN PER CENT OF THE INCREASE IN CASH VALUE RESULTING
31 FROM REINSTATEMENT PLUS ALL OVERDUE PREMIUMS FOR INCIDENTAL INSURANCE
32 BENEFITS WITH INTEREST AT A RATE OF NOT MORE THAN SIX PER CENT PER ANNUM
33 COMPOUNDED ANNUALLY.

34 5. A FULL DESCRIPTION OF THE BENEFIT BASE, THE METHOD OF CALCULATION
35 AND THE APPLICATION OF ANY FACTORS THAT ARE USED TO ADJUST VARIABLE BENEFITS
36 UNDER THE POLICY.

37 6. A PROVISION THAT DESIGNATES THE SEPARATE ACCOUNT TO BE USED AND
38 THAT STATES BOTH OF THE FOLLOWING:

39 (a) THE ASSETS OF THE SEPARATE ACCOUNT ARE AVAILABLE TO COVER THE
40 LIABILITIES OF THE INSURER'S GENERAL ACCOUNT ONLY TO THE EXTENT THAT THE
41 ASSETS OF THE SEPARATE ACCOUNT EXCEED THE LIABILITIES OF THE SEPARATE ACCOUNT
42 ARISING UNDER THE VARIABLE LIFE INSURANCE POLICIES SUPPORTED BY THE SEPARATE
43 ACCOUNT.

1 (b) THE ASSETS OF THE SEPARATE ACCOUNT WILL BE VALUED MONTHLY OR MORE
2 FREQUENTLY IF ANY POLICY BENEFITS VARY.

3 7. A PROVISION THAT SPECIFIES WHAT DOCUMENTS CONSTITUTE THE ENTIRE
4 INSURANCE CONTRACT.

5 8. THE NAMES OF THE OFFICERS WHO ARE EMPOWERED TO MAKE AN AGREEMENT
6 OR REPRESENTATION ON BEHALF OF THE INSURER.

7 9. THE CONDITIONS OR REQUIREMENTS FOR THE DESIGNATION OR CHANGE OF
8 DESIGNATION OF A BENEFICIARY AND FOR THE DISBURSEMENT OF BENEFITS IF A
9 BENEFICIARY IS NOT DESIGNATED.

10 10. THE CONDITIONS OF OR REQUIREMENTS FOR THE ASSIGNMENT OF THE POLICY.

11 11. A DESCRIPTION OF POLICY VALUE ADJUSTMENTS THAT WILL BE MADE IF THE
12 INSURED MISSTATES THE INSURED'S AGE OR SEX.

13 12. A PROVISION THAT AFTER A POLICY HAS BEEN IN FORCE FOR TWO YEARS THE
14 INSURER MAY NOT CONTEST THE POLICY DURING THE LIFETIME OF THE INSURED. IF
15 AN INCREASE IN THE AMOUNT OF THE POLICY'S DEATH BENEFITS OCCURS AFTER THE
16 POLICY ISSUE DATE, IF THE OWNER APPLIED FOR OR REQUESTED THE INCREASE AND IF
17 THE INCREASE WAS SUBJECT TO SATISFACTORY PROOF OF THE INSURED'S INSURABILITY,
18 AFTER THE INCREASE HAS BEEN IN FORCE FOR TWO YEARS, THE INSURER MAY NOT
19 CONTEST THE INCREASE DURING THE LIFETIME OF THE INSURED.

20 13. A STATEMENT THAT THE INVESTMENT POLICY OF THE SEPARATE ACCOUNT
21 SHALL NOT BE CHANGED WITHOUT THE APPROVAL OF THE INSURANCE REGULATORY
22 AUTHORITY OF THE INSURER'S STATE OF DOMICILE AND THAT THE APPROVAL IS ON FILE
23 WITH THE DIRECTOR.

24 14. A PROVISION THAT EXCEPT IF VARIABLE DEATH BENEFITS ARE USED TO PAY
25 PREMIUMS THE PAYMENT OF VARIABLE DEATH BENEFITS IN EXCESS OF ANY MINIMUM
26 DEATH BENEFITS, CASH VALUES, POLICY LOANS OR PARTIAL WITHDRAWALS OR THE
27 PAYMENT OF VARIABLE DEATH BENEFITS IN EXCESS OF ANY PARTIAL SURRENDERS MAY
28 BE DEFERRED EITHER:

29 (a) FOR UP TO SIX MONTHS FROM THE DATE OF THE REQUEST, IF THE PAYMENTS
30 ARE BASED ON POLICY VALUES THAT DO NOT DEPEND ON THE INVESTMENT PERFORMANCE
31 OF THE SEPARATE ACCOUNT.

32 (b) FOR ANY PERIOD DURING WHICH THE NEW YORK STOCK EXCHANGE IS CLOSED
33 FOR TRADING, EXCEPT FOR NORMAL HOLIDAY CLOSING, OR FOR ANY PERIOD DURING
34 WHICH THE SECURITIES AND EXCHANGE COMMISSION DETERMINES THAT A STATE OF
35 EMERGENCY EXISTS.

36 15. IF SETTLEMENT OPTIONS ARE PROVIDED, THAT AT LEAST ONE OPTION IS
37 PROVIDED ON A FIXED BASIS ONLY.

38 16. A DESCRIPTION OF THE BASIS FOR COMPUTING THE CASH VALUE AND THE
39 SURRENDER VALUE UNDER THE POLICY.

40 17. A STATEMENT OF THE PREMIUMS OR OTHER CHARGES FOR INCIDENTAL
41 INSURANCE BENEFITS.

1 18. ANY OTHER ITEMS THAT ARE CURRENTLY REQUIRED FOR FIXED BENEFIT LIFE
2 INSURANCE POLICIES AND THAT ARE NOT INCONSISTENT WITH THIS ARTICLE.

3 19. A PROVISION FOR NONFORFEITURE INSURANCE BENEFITS. THE INSURER MAY
4 ESTABLISH A REASONABLE MINIMUM CASH VALUE BELOW WHICH ANY NONFORFEITURE
5 INSURANCE OPTIONS WILL NOT BE AVAILABLE.

6 20. THAT STATEMENTS THAT ARE MADE BY THE INSURED OR ON BEHALF OF THE
7 INSURED ARE REPRESENTATIONS AND NOT WARRANTIES.

8 E. EXCEPT FOR TERM INSURANCE POLICIES AND PURE ENDOWMENT POLICIES THAT
9 ARE DELIVERED OR ISSUED FOR DELIVERY IN THIS STATE, EACH VARIABLE LIFE
10 INSURANCE POLICY SHALL CONTAIN LOAN PROVISIONS FOR POLICIES THAT HAVE BEEN
11 IN FORCE FOR TWO FULL YEARS THAT ARE NOT LESS FAVORABLE TO THE POLICYHOLDER
12 THAN THE FOLLOWING:

13 1. AT LEAST SEVENTY-FIVE PER CENT OF THE POLICY'S CASH SURRENDER VALUE
14 MAY BE BORROWED.

15 2. THE AMOUNT BORROWED BEARS INTEREST AT A RATE THAT DOES NOT EXCEED
16 THE RATE PERMITTED BY THIS TITLE.

17 3. ANY INDEBTEDNESS SHALL BE DEDUCTED FROM THE PROCEEDS PAYABLE ON
18 DEATH.

19 4. ANY INDEBTEDNESS SHALL BE DEDUCTED FROM THE CASH SURRENDER VALUE
20 ON SURRENDER OR IN DETERMINING ANY NONFORFEITURE BENEFIT.

21 5. FOR SCHEDULED PREMIUM POLICIES, IF THE INDEBTEDNESS EXCEEDS THE
22 CASH SURRENDER VALUE, THE INSURER SHALL GIVE NOTICE OF ITS INTENT TO CANCEL
23 THE POLICY IF THE EXCESS INDEBTEDNESS IS NOT REPAID WITHIN THIRTY-ONE DAYS
24 AFTER THE DATE ON WHICH THE NOTICE WAS MAILED. FOR FLEXIBLE PREMIUM
25 POLICIES, IF THE TOTAL CHARGES THAT ARE AUTHORIZED BY THE POLICY AND THAT ARE
26 NECESSARY TO KEEP THE POLICY IN FORCE UNTIL THE NEXT FOLLOWING POLICY
27 PROCESSING DAY EXCEED THE AMOUNTS AVAILABLE UNDER THE POLICY TO PAY THE
28 CHARGES, THE INSURER MUST SEND THE POLICYHOLDER A REPORT CONTAINING THE
29 INFORMATION SPECIFIED BY SECTION 20-2609, PARAGRAPH 3.

30 F. THE POLICY MAY PROVIDE THAT, AS LONG AS THE PREMIUMS ARE PAID, IF,
31 AT ANY TIME, THE VARIABLE DEATH BENEFIT IS LESS THAN IT WOULD HAVE BEEN IF
32 A LOAN OR WITHDRAWAL HAD NOT BEEN MADE, THE POLICYHOLDER MAY INCREASE THE
33 VARIABLE DEATH BENEFIT UP TO THE AMOUNT IT WOULD HAVE BEEN IF A LOAN OR
34 WITHDRAWAL HAD NOT BEEN MADE. THE INSURED MAY INCREASE THE VARIABLE DEATH
35 BENEFIT BY PAYING AN AMOUNT THAT DOES NOT EXCEED ONE HUNDRED TEN PER CENT OF
36 THE CORRESPONDING INCREASE IN CASH VALUE AND BY FURNISHING ANY EVIDENCE OF
37 INSURABILITY THAT THE INSURER REQUESTS.

38 G. THE POLICY MAY SPECIFY A REASONABLE MINIMUM AMOUNT THAT MAY BE
39 BORROWED AT ANY TIME. THE MINIMUM DOES NOT APPLY TO ANY AUTOMATIC PREMIUM
40 LOAN PROVISION.

1 H. IF THE POLICY IS UNDER AN EXTENDED INSURANCE NONFORFEITURE OPTION,
2 A POLICY LOAN PROVISION IS NOT REQUIRED.

3 I. VARIABLE LIFE INSURANCE POLICYHOLDERS WHO EXERCISE THEIR RIGHTS
4 UNDER POLICY LOAN PROVISIONS SHALL NOT BE DISADVANTAGED BY THE EXERCISE OF
5 THOSE RIGHTS.

6 J. ON THE EXERCISE OF ANY POLICY LOAN PROVISION, THE AMOUNTS PAID TO
7 THE POLICYHOLDER SHALL BE WITHDRAWN FROM THE SEPARATE ACCOUNT AND SHALL BE
8 RETURNED TO THE SEPARATE ACCOUNT ON REPAYMENT, EXCEPT THAT A STOCK INSURER
9 MAY PROVIDE THE AMOUNTS FOR POLICY LOANS FROM THE GENERAL ACCOUNT.

10 K. A VARIABLE LIFE INSURANCE POLICY OR RELATED FORM THAT IS DELIVERED
11 OR ISSUED FOR DELIVERY IN THIS STATE MAY:

12 1. INCLUDE AN EXCLUSION FOR SUICIDE THAT OCCURS WITHIN TWO YEARS OF
13 THE ISSUE DATE OF THE POLICY. IF THE OWNER APPLIES FOR AN INCREASE IN DEATH
14 BENEFITS AFTER THE POLICY ISSUE DATE, THE POLICY MAY PROVIDE AN EXCLUSION FOR
15 SUICIDE THAT OCCURS WITHIN TWO YEARS OF ANY INCREASE IN DEATH BENEFITS TO THE
16 EXTENT OF THE INCREASED DEATH BENEFITS ONLY.

17 2. OFFER INCIDENTAL INSURANCE BENEFITS ON A FIXED OR VARIABLE BASIS.

18 3. OFFER TO PAY DIVIDEND AMOUNTS IN CASH. IN ADDITION, THE POLICIES
19 MAY OFFER THE FOLLOWING DIVIDEND OPTIONS:

20 (a) THE AMOUNT OF THE DIVIDEND MAY BE CREDITED AGAINST PREMIUM
21 PAYMENTS.

22 (b) THE AMOUNT OF THE DIVIDEND MAY BE APPLIED TO PROVIDE AMOUNTS OF
23 ADDITIONAL FIXED OR VARIABLE BENEFIT LIFE INSURANCE.

24 (c) THE AMOUNT OF THE DIVIDEND MAY BE DEPOSITED IN THE GENERAL ACCOUNT
25 AT A SPECIFIED MINIMUM RATE OF INTEREST.

26 (d) THE AMOUNT OF THE DIVIDEND MAY BE APPLIED TO PROVIDE PAID-UP
27 AMOUNTS OF FIXED BENEFIT ONE YEAR TERM INSURANCE.

28 (e) THE AMOUNT OF THE DIVIDEND MAY BE DEPOSITED AS A VARIABLE DEPOSIT
29 IN A SEPARATE ACCOUNT.

30 4. ALLOW THE POLICYHOLDER TO ELECT IN WRITING AN AUTOMATIC PREMIUM
31 LOAN ON A BASIS THAT IS NOT LESS FAVORABLE THAN THAT REQUIRED OF POLICY LOANS
32 UNDER SUBSECTION E OF THIS SECTION. THE POLICY MAY IMPOSE A RESTRICTION THAT
33 NO MORE THAN TWO CONSECUTIVE PREMIUMS CAN BE PAID UNDER THE REQUIREMENTS OF
34 THIS PARAGRAPH.

35 5. ALLOW THE POLICYHOLDER TO MAKE PARTIAL WITHDRAWALS.

36 6. INCLUDE ANY OTHER POLICY PROVISION THAT THE DIRECTOR APPROVES.

37 20-2605. Reserve liabilities for variable life insurance

38 A. RESERVE LIABILITIES FOR VARIABLE LIFE INSURANCE POLICIES SHALL BE
39 ESTABLISHED UNDER SECTION 20-510 ACCORDING TO ACTUARIAL PROCEDURES THAT
40 RECOGNIZE THE VARIABLE NATURE OF THE BENEFITS PROVIDED AND ANY MORTALITY
41 GUARANTEES.

1 B. RESERVE LIABILITIES FOR THE GUARANTEED MINIMUM DEATH BENEFIT SHALL
2 BE THE RESERVE AMOUNT THAT IS NEEDED TO PROVIDE FOR THE CONTINGENCY OF DEATH
3 OCCURRING WHEN THE GUARANTEED MINIMUM DEATH BENEFIT EXCEEDS THE DEATH BENEFIT
4 THAT WOULD OTHERWISE BE PAID IN THE ABSENCE OF THE GUARANTEE. THE INSURER
5 SHALL MAINTAIN RESERVE LIABILITIES IN THE GENERAL ACCOUNT. RESERVE
6 LIABILITIES SHALL NOT BE LESS THAN THE GREATER OF ANY OF THE FOLLOWING
7 MINIMUM RESERVES:

8 1. ASSUMING AN IMMEDIATE ONE-THIRD DEPRECIATION IN THE CURRENT VALUE
9 OF THE ASSETS IN THE SEPARATE ACCOUNT FOLLOWED BY A NET INVESTMENT RETURN
10 EQUAL TO THE ASSUMED INVESTMENT RATE, THE AGGREGATE TOTAL OF THE TERM COSTS
11 ON EACH VARIABLE LIFE INSURANCE CONTRACT, IF ANY, COVERING EITHER:

12 (a) A PERIOD OF ONE FULL YEAR FROM THE VALUATION DATE.

13 (b) IF LESS THAN THE AMOUNT UNDER SUBDIVISION (a) OF THIS PARAGRAPH,
14 THE PERIOD THAT IS PROVIDED FOR IN THE GUARANTEE AND THAT IS NOT OTHERWISE
15 PROVIDED FOR BY THE RESERVES HELD IN THE SEPARATE ACCOUNT.

16 2. THE AGGREGATE TOTAL OF THE ATTAINED AGE LEVEL RESERVES ON EACH
17 VARIABLE LIFE INSURANCE CONTRACT. THE ATTAINED AGE LEVEL RESERVE ON EACH
18 VARIABLE LIFE INSURANCE CONTRACT SHALL NOT BE LESS THAN ZERO AND SHALL EQUAL
19 THE RESIDUE OF THE PRIOR YEAR'S ATTAINED AGE LEVEL RESERVE ON THE CONTRACT.
20 ANY RESIDUE SHALL BE INCREASED OR DECREASED BY A PAYMENT THAT IS COMPUTED ON
21 AN ATTAINED AGE BASIS PURSUANT TO SUBDIVISION (b) OF THIS PARAGRAPH. FOR THE
22 PURPOSES OF THIS PARAGRAPH:

23 (a) THE RESIDUE OF THE PRIOR YEAR'S ATTAINED AGE LEVEL RESERVE ON EACH
24 VARIABLE LIFE INSURANCE CONTRACT SHALL NOT BE LESS THAN ZERO AND SHALL BE
25 DETERMINED BY ADDING INTEREST AT THE VALUATION INTEREST RATE TO THE PRIOR
26 YEAR'S RESERVE, BY DEDUCTING THE TABULAR CLAIMS BASED ON ANY EXCESS, IF ANY,
27 OF THE GUARANTEED MINIMUM DEATH BENEFIT OVER THE DEATH BENEFIT THAT WOULD BE
28 PAYABLE IN THE ABSENCE OF THE GUARANTEE AND BY DIVIDING THE NET RESULT BY THE
29 TABULAR PROBABILITY OF SURVIVAL. THE EXCESS SHALL BE BASED ON THE ACTUAL
30 LEVEL OF DEATH BENEFITS THAT WOULD HAVE BEEN IN EFFECT DURING THE PRECEDING
31 YEAR IN THE ABSENCE OF THE GUARANTEE AND SHALL TAKE ACCOUNT OF THE RESERVE
32 ASSUMPTIONS REGARDING THE DISTRIBUTION OF DEATH CLAIM PAYMENTS OVER THE YEAR.

33 (b) THE PAYMENT SHALL BE COMPUTED SO THAT THE PRESENT VALUE OF A LEVEL
34 PAYMENT OF THAT AMOUNT EACH YEAR OVER THE FUTURE PERIOD FOR WHICH CHARGES FOR
35 THIS RISK WILL BE COLLECTED UNDER THE CONTRACT OR IF NO FUTURE CHARGES FOR
36 THIS RISK WILL BE COLLECTED UNDER THE CONTRACT, THE PAYMENT SHALL EQUAL (A)
37 MINUS (B) MINUS (C). FOR THE PURPOSES OF THIS SUBDIVISION:

38 (i) (A) MEANS THE PRESENT VALUE OF THE FUTURE GUARANTEED MINIMUM DEATH
39 BENEFITS.

40 (ii) (B) MEANS THE PRESENT VALUE OF THE FUTURE DEATH BENEFITS THAT
41 WOULD BE PAYABLE IN THE ABSENCE OF THE GUARANTEE AND THAT IS COMPUTED BY
42 ASSUMING A NET INVESTMENT RETURN OF THE SEPARATE ACCOUNT THAT MAY DIFFER FROM
43 THE ASSUMED INVESTMENT RATE OR THE VALUATION INTEREST RATE, OR BOTH, BUT THAT

1 MAY NOT EXCEED THE MAXIMUM INTEREST RATE THAT IS PERMITTED FOR THE VALUATION
2 OF LIFE CONTRACTS.

3 (iii) (C) MEANS ANY RESIDUE AS PRESCRIBED BY SUBDIVISION (a) OF THIS
4 PARAGRAPH OF THE PRIOR YEAR'S ATTAINED AGE LEVEL RESERVE ON THE VARIABLE LIFE
5 INSURANCE CONTRACT.

6 3. THE VALUATION INTEREST RATE AND MORTALITY TABLE THAT ARE USED TO
7 COMPUTE THE GUARANTEED MINIMUM DEATH BENEFIT AND THE FUTURE DEATH BENEFIT
8 THAT WOULD BE PAYABLE IN THE ABSENCE OF THE GUARANTEE SHALL CONFORM TO
9 PERMISSIBLE STANDARDS FOR THE VALUATION OF LIFE INSURANCE CONTRACTS. IN
10 DETERMINING THE MINIMUM RESERVES, THE INSURER MAY EMPLOY SUITABLE
11 APPROXIMATIONS AND ESTIMATES, INCLUDING GROUPINGS AND AVERAGES.

12 C. ACCORDING TO THE ACTUARIAL PROCEDURES APPROPRIATE TO THE BENEFIT,
13 THE INSURER SHALL MAINTAIN RESERVE LIABILITIES FOR ALL FIXED INCIDENTAL
14 INSURANCE BENEFITS AND ANY GUARANTEES THAT ARE ASSOCIATED WITH VARIABLE
15 ACCIDENTAL INSURANCE BENEFITS IN THE GENERAL ACCOUNT AND SHALL MAINTAIN
16 RESERVE LIABILITIES FOR ALL VARIABLE ASPECTS OF THE VARIABLE INCIDENTAL
17 INSURANCE BENEFITS IN A SEPARATE ACCOUNT.

18 20-2606. Separate accounts

19 A. A DOMESTIC INSURER ISSUING VARIABLE LIFE INSURANCE CONTRACTS SHALL
20 ESTABLISH ONE OR MORE SEPARATE ACCOUNTS PURSUANT TO SECTION 20-651. THE
21 FOLLOWING APPLY TO THE ESTABLISHMENT OF SEPARATE ACCOUNTS:

22 1. IF NO LAW GOVERNS THE CUSTODY OF SEPARATE ACCOUNT ASSETS AND IF THE
23 INSURER IS NOT THE CUSTODIAN OF THE SEPARATE ACCOUNT ASSETS, ALL CONTRACTS
24 FOR THE CUSTODY OF THE ASSETS SHALL BE IN WRITING AND THE DIRECTOR MAY REVIEW
25 AND APPROVE BOTH THE TERMS OF A CONTRACT AND THE PROPOSED CUSTODIAN BEFORE
26 THE TRANSFER OF CUSTODY.

27 2. WITHOUT THE DIRECTOR'S PRIOR WRITTEN APPROVAL, THE INSURER SHALL
28 NOT EMPLOY ANY PERSON IN CONNECTION WITH THE HANDLING OF SEPARATE ACCOUNT
29 ASSETS WHO WITHIN THE LAST TEN YEARS EITHER:

30 (a) WAS CONVICTED OF A FELONY OR A MISDEMEANOR OFFENSE INVOLVING
31 EMBEZZLEMENT, FRAUDULENT CONVERSION, THE MISAPPROPRIATION OF FUNDS OR
32 SECURITIES OR A VIOLATION OF 18 UNITED STATES CODE SECTION 1341, 1342 OR
33 1343.

34 (b) WAS FOUND TO HAVE VIOLATED OR HAS ACKNOWLEDGED VIOLATING ANY LAW
35 INVOLVING FRAUD, DECEIT OR KNOWING MISREPRESENTATION.

36 3. ALL PERSONS WHO HAVE ACCESS TO THE CASH, SECURITIES OR OTHER ASSETS
37 OF ANY SEPARATE ACCOUNT ESTABLISHED PURSUANT TO THIS CHAPTER SHALL BE UNDER
38 BOND IN AN AMOUNT OF NOT LESS THAN THE FOLLOWING AMOUNTS BASED ON THE
39 COMBINED ASSETS OF THE INSURER'S SEPARATE ACCOUNTS:

| | <u>COMBINED ASSETS</u> | | <u>MINIMUM AMOUNT OF BOND</u> |
|----|---------------------------|-------------------|--|
| | EQUAL TO OR MORE THAN: | BUT LESS THAN: | |
| 4 | \$ 0 | \$ 100,000 | \$ 10,000 |
| 5 | 100,000 | 600,000 | \$10,000 PLUS 4% OF ASSETS OVER \$100,000 |
| 7 | 600,000 | 1,200,000 | \$30,000 PLUS 3 1/3% OF ASSETS OVER \$600,000 |
| 9 | 1,200,000 | 3,200,000 | \$50,000 PLUS 2 1/2% OF ASSETS OVER \$1,200,000 |
| 11 | 3,200,000 | 4,450,000 | \$100,000 PLUS 2% OF ASSETS OVER \$3,200,000 |
| 13 | 4,450,000 | 6,450,000 | \$125,000 PLUS 1 1/4% OF ASSETS OVER \$4,450,000 |
| 15 | 6,450,000 | 90,450,000 | \$150,000 PLUS 5/8% OF ASSETS OVER \$6,450,000 |
| 17 | 90,450,000 | 350,450,000 | \$675,000 PLUS 3/8% OF ASSETS OVER \$90,450,000 |
| 19 | 350,450,000 | 1,070,450,000 | \$1,650,000 PLUS 3/16% OF ASSETS OVER \$350,450,000 |
| 21 | 1,070,450,000 | | \$3,000,000 PLUS 3/32% OF ASSETS OVER \$1,070,450,000 UNTIL THE TOTAL OF THE BONDS EQUALS \$5,000,000 |

4. THE INSURER SHALL VALUE THE ASSETS OF THE SEPARATE ACCOUNTS AT LEAST MONTHLY.

B. THE INSURER SHALL MAINTAIN IN EACH SEPARATE ACCOUNT ASSETS WITH A VALUE THAT IS AT LEAST EQUAL TO THE GREATER OF THE VALUATION RESERVES FOR THE VARIABLE PORTION OF THE VARIABLE LIFE INSURANCE POLICIES OR THE BENEFIT BASE FOR THE VARIABLE LIFE INSURANCE POLICIES.

C. THE FOLLOWING APPLY TO INVESTMENTS BY THE SEPARATE ACCOUNT:

1. AN INSURER OR ANY OF ITS AFFILIATES MAY NOT MAKE ANY SALE, EXCHANGE OR OTHER TRANSFER OF ASSETS BETWEEN ANY OF ITS SEPARATE ACCOUNTS OR BETWEEN ANY OTHER INVESTMENT ACCOUNT AND ONE OR MORE OF ITS SEPARATE ACCOUNTS UNLESS BOTH:

(a) IF ASSETS ARE TRANSFERRED INTO A SEPARATE ACCOUNT, THE TRANSFER IS MADE SOLELY TO ESTABLISH THE ACCOUNT OR TO SUPPORT THE OPERATION OF THE POLICIES WITH RESPECT TO THE SEPARATE ACCOUNT TO WHICH THE TRANSFER IS MADE.

(b) THE TRANSFER, WHETHER INTO OR FROM A SEPARATE ACCOUNT, IS MADE BY A TRANSFER OF CASH. THE DIRECTOR MAY APPROVE THE TRANSFER OF OTHER ASSETS IN ADVANCE OF THE TRANSFER.

1 2. THE SEPARATE ACCOUNT SHALL HAVE SUFFICIENT NET INVESTMENT INCOME
2 AND READILY MARKETABLE ASSETS TO MEET ANTICIPATED WITHDRAWALS UNDER THE
3 POLICIES THAT ARE FUNDED BY THE ACCOUNT.

4 D. EXCEPT FOR SECURITIES ISSUED OR GUARANTEED AS TO PRINCIPAL AND
5 INTEREST BY THE UNITED STATES, A SEPARATE ACCOUNT SHALL NOT PURCHASE OR
6 OTHERWISE ACQUIRE THE SECURITIES OF ANY ISSUER IF IMMEDIATELY AFTER THE
7 PURCHASE OR ACQUISITION THE VALUE OF THE INVESTMENT, TOGETHER WITH ANY PRIOR
8 INVESTMENTS OF THE ACCOUNT IN THE SECURITY THAT IS VALUED PURSUANT TO THIS
9 ARTICLE, EXCEEDS TEN PER CENT OF THE VALUE OF THE ASSETS OF THE SEPARATE
10 ACCOUNT. THE DIRECTOR MAY WAIVE THIS LIMITATION IN WRITING IF THE DIRECTOR
11 BELIEVES THAT THE WAIVER WILL NOT RENDER THE OPERATION OF THE SEPARATE
12 ACCOUNT HAZARDOUS TO THE PUBLIC OR TO THE POLICYHOLDERS IN THIS STATE.

13 E. A SEPARATE ACCOUNT SHALL NOT PURCHASE OR OTHERWISE ACQUIRE THE
14 VOTING SECURITIES OF ANY ISSUER IF AS A RESULT OF THE PURCHASE OR ACQUISITION
15 THE INSURER AND ITS AGGREGATED SEPARATE ACCOUNTS WILL OWN MORE THAN TEN PER
16 CENT OF THE ISSUER'S TOTAL ISSUED AND OUTSTANDING VOTING SECURITIES. THE
17 DIRECTOR MAY WAIVE THIS LIMITATION IN WRITING IF THE DIRECTOR BELIEVES THAT
18 THE WAIVER WILL NOT RENDER THE OPERATION OF THE SEPARATE ACCOUNT HAZARDOUS
19 TO THE PUBLIC OR TO THE POLICYHOLDERS IN THIS STATE OR JEOPARDIZE THE
20 INDEPENDENT OPERATION OF THE ISSUER OF THE SECURITIES.

21 F. THE TEN PER CENT LIMITATION UNDER SUBSECTION D OF THIS SECTION DOES
22 NOT PRECLUDE THE INVESTMENT OF SEPARATE ACCOUNT ASSETS IN SHARES OF
23 INVESTMENT COMPANIES THAT ARE REGISTERED PURSUANT TO THE INVESTMENT COMPANY
24 ACT OF 1940 (15 UNITED STATES CODE SECTIONS 80a-1 THROUGH 80a-64) OR IN OTHER
25 POOLS OF INVESTMENT ASSETS IF THE INVESTMENTS AND INVESTMENT POLICIES OF THE
26 INVESTMENT COMPANIES OR ASSET POOLS COMPLY SUBSTANTIALLY WITH SUBSECTION C
27 OF THIS SECTION AND WITH ANY OTHER APPLICABLE PROVISIONS UNDER THIS ARTICLE.

28 G. THE INSURER SHALL VALUE INVESTMENTS OF THE SEPARATE ACCOUNT AT
29 THEIR MARKET VALUE ON THE DATE OF VALUATION OR AT AMORTIZED COST IF IT
30 APPROXIMATES MARKET VALUE.

31 H. A DOMESTIC INSURER SHALL NOT CHANGE ITS INVESTMENT POLICY OF A
32 SEPARATE ACCOUNT WITHOUT FIRST FILING THE CHANGE WITH THE DIRECTOR. A CHANGE
33 THAT IS FILED PURSUANT TO THIS SUBSECTION IS EFFECTIVE SIXTY DAYS AFTER THE
34 DATE ON WHICH IT WAS FILED WITH THE DIRECTOR, UNLESS THE DIRECTOR NOTIFIES
35 THE INSURER BEFORE THE END OF THE SIXTY DAY PERIOD OF THE DIRECTOR'S
36 DISAPPROVAL OF THE PROPOSED CHANGE. AT ANY TIME, AFTER NOTICE AND A PUBLIC
37 HEARING, THE DIRECTOR MAY DISAPPROVE ANY CHANGE THAT HAS BECOME EFFECTIVE.
38 THE DIRECTOR MAY DISAPPROVE THE CHANGE IF THE DIRECTOR DETERMINES THAT THE
39 CHANGE WOULD BE DETRIMENTAL TO THE INTERESTS OF THE POLICYHOLDERS WHO
40 PARTICIPATE IN THE SEPARATE ACCOUNTS.

41 I. BEFORE OR CONTEMPORANEOUSLY WITH THE DELIVERY OF THE POLICY, THE
42 INSURER SHALL DISCLOSE TO THE INSURED IN WRITING ALL CHARGES THAT MAY BE MADE
43 AGAINST THE SEPARATE ACCOUNT, INCLUDING THE FOLLOWING:

1 1. TAXES OR RESERVES FOR TAXES THAT ARE ATTRIBUTABLE TO INVESTMENT
2 GAINS AND INCOME OF THE SEPARATE ACCOUNT.

3 2. ACTUAL COST OF REASONABLE BROKERAGE FEES AND SIMILAR DIRECT
4 ACQUISITION AND SALE COSTS THAT ARE INCURRED IN THE PURCHASE OR SALE OF
5 SEPARATE ACCOUNT ASSETS.

6 3. ACTUARIALLY DETERMINED TABULAR COSTS OF INSURANCE AND THE RELEASE
7 OF SEPARATE ACCOUNT LIABILITIES.

8 4. CHARGES FOR ADMINISTRATIVE EXPENSES AND INVESTMENT MANAGEMENT
9 EXPENSES, INCLUDING INTERNAL COSTS THAT ARE ATTRIBUTABLE TO THE INVESTMENT
10 MANAGEMENT OF ASSETS OF THE SEPARATE ACCOUNT.

11 5. A CHARGE FOR MORTALITY AND EXPENSE GUARANTEES AT A RATE SPECIFIED
12 IN THE POLICY.

13 6. ANY AMOUNTS IN EXCESS OF THE AMOUNTS THAT ARE REQUIRED TO BE HELD
14 IN THE SEPARATE ACCOUNTS.

15 7. CHARGES FOR INCIDENTAL INSURANCE BENEFITS.

16 J. THE BOARD OF DIRECTORS OF EACH INSURER THAT SEEKS APPROVAL TO ENTER
17 INTO THE VARIABLE LIFE INSURANCE BUSINESS IN THIS STATE SHALL ADOPT WRITTEN
18 STANDARDS OF CONDUCT RELATING TO THE PURCHASE OR SALE OF INVESTMENTS OF
19 SEPARATE ACCOUNTS. THE STANDARDS OF CONDUCT ARE BINDING ON THE INSURER AND
20 ITS OFFICERS, DIRECTORS, EMPLOYEES AND AFFILIATES. THE ADOPTION OF A CODE
21 OF ETHICS THAT MEETS THE REQUIREMENTS OF SECTION 17j OF THE INVESTMENT
22 COMPANY ACT OF 1940 SATISFIES THIS SECTION.

23 K. A LAW THAT APPLIES TO THE OFFICERS AND DIRECTORS OF INSURANCE
24 COMPANIES WITH RESPECT TO CONFLICTS OF INTEREST ALSO APPLIES TO THE MEMBERS
25 OF A COMMITTEE OR ANY OTHER SIMILAR BODY OF A SEPARATE ACCOUNT.

26 L. AN INSURER SHALL NOT ENTER INTO A CONTRACT UNDER WHICH A PERSON FOR
27 A FEE UNDERTAKES TO REGULARLY FURNISH INVESTMENT ADVICE TO THE INSURER WITH
28 RESPECT TO ITS SEPARATE ACCOUNTS THAT ARE MAINTAINED FOR VARIABLE LIFE
29 INSURANCE POLICIES UNLESS THE CONTRACT IS IN WRITING, THE CONTRACT STATES
30 THAT THE INSURER MAY TERMINATE THE CONTRACT WITHOUT PENALTY TO THE INSURER
31 OR THE SEPARATE ACCOUNT ON SIXTY DAYS' WRITTEN NOTICE TO THE INVESTMENT
32 ADVISOR AND ONE OF THE FOLLOWING APPLIES:

33 1. THE PERSON WHO PROVIDES THE ADVICE IS REGISTERED AS AN INVESTMENT
34 ADVISER UNDER THE INVESTMENT ADVISERS ACT OF 1940 (15 UNITED STATES CODE
35 SECTIONS 80b-1 THROUGH 80b-21).

36 2. THE PERSON WHO PROVIDES THE ADVICE IS AN INVESTMENT MANAGER UNDER
37 THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 (29 UNITED STATES CODE
38 SECTIONS 1001 THROUGH 1461) WITH RESPECT TO THE ASSETS OF EACH EMPLOYEE
39 BENEFIT PLAN THAT ARE ALLOCATED TO THE SEPARATE ACCOUNT.

40 3. THE INSURER HAS FILED WITH THE DIRECTOR AND CONTINUES TO FILE
41 ANNUALLY THE FOLLOWING INFORMATION AND STATEMENTS CONCERNING THE PROPOSED
42 ADVISOR:

43 (a) THE NAME AND FORM OF THE ORGANIZATION, THE STATE OF ORGANIZATION
44 AND THE PROPOSED ADVISOR'S PRINCIPAL PLACE OF BUSINESS.

1 (b) THE NAMES AND ADDRESSES OF THE PROPOSED ADVISOR'S PARTNERS,
2 OFFICERS AND DIRECTORS AND OF PERSONS WHO PERFORM SIMILAR FUNCTIONS IF THE
3 INVESTMENT ADVISOR IS AN INDIVIDUAL.

4 (c) A WRITTEN STANDARD OF CONDUCT THAT COMPLIES IN SUBSTANCE WITH
5 SUBSECTION J OF THIS SECTION.

6 (d) A STATEMENT THAT IS SUBMITTED BY THE PROPOSED ADVISOR TO THE
7 INSURER AND THAT STATES WITH RESPECT TO EACH OF THE FOLLOWING THAT THE
8 PROPOSED ADVISOR OR A PERSON ASSOCIATED WITH THE PROPOSED ADVISOR HAS NOT:

9 (i) WITHIN THE LAST TEN YEARS BEEN CONVICTED OF A FELONY OR
10 MISDEMEANOR OFFENSE ARISING OUT OF SUCH PERSON'S CONDUCT AS AN EMPLOYEE,
11 SALESMAN, OFFICER OR DIRECTOR OF AN INSURANCE COMPANY, A BANKER, AN INSURANCE
12 AGENT, A SECURITIES BROKER OR AN INVESTMENT ADVISOR INVOLVING EMBEZZLEMENT,
13 FRAUDULENT CONVERSION, THE MISAPPROPRIATION OF FUNDS OR SECURITIES OR A
14 VIOLATION OF 18 UNITED STATES CODE SECTION 1341, 1342 OR 1343, AND ARISING
15 OUT OF THE PERSON'S CONDUCT AS AN EMPLOYEE, SALESPERSON, OFFICER OR DIRECTOR
16 OF AN INSURANCE COMPANY OR AS A BANKER, INSURANCE AGENT, SECURITIES BROKER
17 OR INVESTMENT ADVISOR.

18 (ii) BEEN PERMANENTLY OR TEMPORARILY ENJOINED BY A COURT ORDER,
19 JUDGMENT OR DECREE FROM ACTING AS AN INVESTMENT ADVISOR, UNDERWRITER, BROKER
20 OR DEALER, ACTING AS AN AFFILIATED PERSON OR AN EMPLOYEE OF AN INVESTMENT
21 COMPANY, BANK OR INSURANCE COMPANY OR ENGAGING IN OR CONTINUING ANY CONDUCT
22 OR PRACTICE IN CONNECTION WITH ANY ENJOINED ACTIVITY.

23 (iii) BEEN FOUND BY A FEDERAL OR STATE REGULATORY AUTHORITY TO HAVE
24 WILFULLY VIOLATED OR ACKNOWLEDGED A WILFUL VIOLATION OF A FEDERAL OR STATE
25 SECURITIES LAW OR THE INSURANCE LAWS OF THIS STATE.

26 (iv) BEEN CENSURED, BEEN DENIED AN INVESTMENT ADVISOR REGISTRATION,
27 HAD A REGISTRATION AS AN INVESTMENT ADVISOR REVOKED OR SUSPENDED OR BEEN
28 BARRED OR SUSPENDED FROM ASSOCIATING WITH AN INVESTMENT ADVISOR BY A FEDERAL
29 OR STATE REGULATORY AUTHORITY.

30 M. AFTER NOTICE AND AN OPPORTUNITY FOR A HEARING, THE DIRECTOR MAY
31 REQUIRE THAT THE INVESTMENT ADVISORY CONTRACT BE TERMINATED IF THE DIRECTOR
32 DEEMS THAT CONTINUED OPERATION UNDER THE CONTRACT WOULD BE HAZARDOUS TO THE
33 PUBLIC OR THE INSURER'S POLICYHOLDERS.

34 20-2607. Information to applicants

35 A. AN INSURER THAT DELIVERS OR ISSUES FOR DELIVERY IN THIS STATE A
36 VARIABLE LIFE INSURANCE POLICY SHALL DELIVER THE FOLLOWING INFORMATION TO THE
37 APPLICANT FOR THE POLICY:

38 1. A SUMMARY EXPLANATION OF THE PRINCIPAL FEATURES OF THE POLICY. THE
39 SUMMARY EXPLANATION SHALL BE IN NONTECHNICAL TERMS AND SHALL INCLUDE A
40 DESCRIPTION OF THE MANNER IN WHICH THE VARIABLE BENEFITS WILL REFLECT THE
41 INVESTMENT EXPERIENCE OF THE SEPARATE ACCOUNT AND THE FACTORS THAT AFFECT THE
42 VARIATION. THE EXPLANATION SHALL INCLUDE NOTICE OF THE REQUIREMENTS OF
43 SECTION 20-2604, SUBSECTION D, PARAGRAPH 1, SUBDIVISION (e) AND PARAGRAPH 7.

1 2. A STATEMENT OF THE INVESTMENT POLICY OF THE SEPARATE ACCOUNT,
2 INCLUDING A DESCRIPTION OF BOTH:

3 (a) THE INVESTMENT OBJECTIVES OF THE SEPARATE ACCOUNT AND THE
4 PRINCIPAL TYPES OF INVESTMENTS THAT WILL BE MADE.

5 (b) THE RESTRICTIONS OR LIMITATIONS ON THE MANNER IN WHICH THE
6 OPERATIONS OF THE SEPARATE ACCOUNT WILL BE CONDUCTED.

7 3. A STATEMENT OF THE NET INVESTMENT RETURN OF THE SEPARATE ACCOUNT
8 FOR EACH OF THE LAST TEN YEARS, OR IF THE SEPARATE ACCOUNT HAS BEEN IN
9 EXISTENCE FOR LESS THAN TEN YEARS, A STATEMENT OF THE NET INVESTMENT RETURN
10 OF THE SEPARATE ACCOUNT FOR EACH OF THE YEARS THAT THE SEPARATE ACCOUNT HAS
11 BEEN IN EXISTENCE.

12 4. A STATEMENT OF THE CHARGES THAT WERE LEVIED AGAINST THE SEPARATE
13 ACCOUNT DURING THE PREVIOUS YEAR.

14 5. A SUMMARY OF THE METHOD THE INSURER WILL USE IN VALUING THE ASSETS
15 THAT ARE HELD BY THE SEPARATE ACCOUNT.

16 6. A SUMMARY OF THE FEDERAL INCOME TAX ASPECTS OF THE POLICY THAT
17 APPLY TO THE INSURED, THE POLICYHOLDER AND THE BENEFICIARY.

18 7. ILLUSTRATIONS OF BENEFITS THAT ARE PAYABLE UNDER THE VARIABLE LIFE
19 INSURANCE CONTRACT. THE INSURER SHALL PREPARE THE ILLUSTRATIONS. THE
20 ILLUSTRATIONS SHALL NOT INCLUDE PROJECTIONS OF PAST INVESTMENT EXPERIENCE
21 INTO THE FUTURE OR ATTEMPTED PREDICTIONS OF FUTURE INVESTMENT EXPERIENCE.
22 THIS PARAGRAPH DOES NOT PROHIBIT THE USE OF HYPOTHETICAL ASSUMED RATES OF
23 RETURN TO ILLUSTRATE POSSIBLE LEVELS OF BENEFITS IF THE ILLUSTRATION MAKES
24 IT CLEAR THAT THE ASSUMED RATES ARE HYPOTHETICAL ONLY.

25 B. THIS SECTION IS SATISFIED IF A DISCLOSURE THAT CONTAINS THE
26 INFORMATION REQUIRED BY THIS SECTION IS DELIVERED TO THE APPLICANT. THE
27 DISCLOSURE SHALL EITHER:

28 1. BE A PROSPECTUS THAT SATISFIES THE REQUIREMENTS OF THE SECURITIES
29 ACT OF 1933 (15 UNITED STATES CODE SECTIONS 77a THROUGH 77aa) AND THAT THE
30 SECURITIES AND EXCHANGE COMMISSION DECLARES EFFECTIVE.

31 2. CONTAIN THE INFORMATION AND REPORTS THAT ARE REQUIRED BY THE
32 EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 (29 UNITED STATES CODE
33 SECTIONS 1001 THROUGH 1461) IF THE POLICIES ARE EXEMPT FROM THE REGISTRATION
34 REQUIREMENTS OF THE SECURITIES ACT OF 1933.

35 20-2608. Variable life insurance policy application
36 requirements

37 A VARIABLE LIFE INSURANCE POLICY APPLICATION SHALL CONTAIN ALL OF THE
38 FOLLOWING:

39 1. A PROMINENT STATEMENT THAT THE DEATH BENEFIT MAY BE VARIABLE OR
40 FIXED UNDER SPECIFIED CONDITIONS.

41 2. A PROMINENT STATEMENT THAT CASH VALUES MAY INCREASE OR DECREASE
42 ACCORDING TO THE INVESTMENT EXPERIENCE OF THE SEPARATE ACCOUNT.

43 3. QUESTIONS THAT ENABLE THE INSURER TO DETERMINE THE SUITABILITY OF
44 VARIABLE LIFE INSURANCE FOR THE APPLICANT.

1 20-2609. Policyholder reports

2 AN INSURER THAT DELIVERS OR ISSUES FOR DELIVERY IN THIS STATE A
3 VARIABLE LIFE INSURANCE POLICY SHALL MAIL THE FOLLOWING REPORTS TO EACH
4 VARIABLE LIFE INSURANCE POLICYHOLDER AT THE POLICYHOLDER'S LAST KNOWN
5 ADDRESS:

6 1. WITHIN THIRTY DAYS AFTER EACH ANNIVERSARY OF THE POLICY, A
7 STATEMENT OR STATEMENTS OF THE CASH SURRENDER VALUE, THE DEATH BENEFIT, ANY
8 PARTIAL WITHDRAWAL OR POLICY LOAN, ANY INTEREST CHARGE AND ANY OPTIONAL
9 PAYMENTS THAT ARE ALLOWED UNDER THE POLICY AND THAT ARE COMPUTED AS OF THE
10 POLICY ANNIVERSARY DATE. THE STATEMENT MAY BE FURNISHED WITHIN THIRTY DAYS
11 AFTER A SPECIFIED DATE IN EACH POLICY YEAR IF THE INFORMATION CONTAINED IN
12 THE STATEMENT IS COMPUTED NOT MORE THAN SIXTY DAYS BEFORE THE NOTICE IS
13 MAILED. THIS STATEMENT SHALL STATE THAT THE CASH VALUES AND THE VARIABLE
14 DEATH BENEFIT MAY INCREASE OR DECREASE ACCORDING TO THE INVESTMENT EXPERIENCE
15 OF THE SEPARATE ACCOUNT AND SHALL PROMINENTLY IDENTIFY ANY VALUE THAT THE
16 STATEMENT DESCRIBES AND THAT MAY BE RECOMPUTED BEFORE THE NEXT STATEMENT
17 REQUIRED BY THIS SECTION. IF THE POLICY GUARANTEES THAT THE VARIABLE DEATH
18 BENEFIT ON THE NEXT POLICY ANNIVERSARY DATE WILL NOT BE LESS THAN THE
19 VARIABLE DEATH BENEFIT SPECIFIED IN THE STATEMENT, THE STATEMENT SHALL BE
20 MODIFIED TO INDICATE THIS POLICY GUARANTEE. IN ADDITION, THE REPORT MUST
21 SHOW THE PROJECTED CASH VALUE AND CASH SURRENDER VALUE, IF DIFFERENT, AS OF
22 ONE YEAR FROM THE END OF THE PERIOD COVERED BY THE REPORT. IN DETERMINING
23 THE PROJECTED VALUE, THE INSURER SHALL ASSUME THAT THE PLANNED PERIODIC
24 PREMIUMS, IF ANY, ARE PAID AS SCHEDULED, THAT THE GUARANTEED COSTS OF
25 INSURANCE ARE DEDUCTED AND THAT THE NET RETURN IS EQUAL TO THE GUARANTEED
26 RATE, OR IF THERE IS NO GUARANTEED RATE, IS NOT GREATER THAN ZERO. IF THE
27 PROJECTED VALUE IS LESS THAN ZERO, THE STATEMENT SHALL INCLUDE A WARNING
28 MESSAGE THAT THE POLICY MAY BE IN DANGER OF TERMINATING WITHOUT VALUE IN THE
29 NEXT TWELVE MONTHS UNLESS ADDITIONAL PREMIUM IS PAID. FOR FLEXIBLE PREMIUM
30 POLICIES, THE REPORT SHALL CONTAIN A RECONCILIATION OF THE CHANGE SINCE THE
31 PREVIOUS REPORT IN CASH VALUE AND CASH SURRENDER VALUE, IF DIFFERENT, BECAUSE
32 OF PAYMENTS MADE, LESS DEDUCTIONS FOR EXPENSE CHARGES, WITHDRAWALS,
33 INVESTMENT EXPERIENCE, INSURANCE CHARGES AND ANY OTHER CHARGES MADE AGAINST
34 THE CASH VALUE.

35 2. AN ANNUAL STATEMENT OR STATEMENTS, INCLUDING:

36 (a) A SUMMARY OF THE FINANCIAL STATEMENT OF THE SEPARATE ACCOUNT THAT
37 IS BASED ON THE ANNUAL STATEMENT LAST FILED WITH THE DIRECTOR.

38 (b) THE NET INVESTMENT RETURN OF THE SEPARATE ACCOUNT FOR THE LAST
39 YEAR AND, FOR EACH YEAR AFTER THE FIRST, A COMPARISON OF THE INVESTMENT RATE
40 OF THE SEPARATE ACCOUNT DURING THE LAST YEAR WITH THE INVESTMENT RATE DURING
41 PRIOR YEARS, UP TO A TOTAL OF NOT LESS THAN FIVE YEARS IF AVAILABLE.

42 (c) A LIST OF INVESTMENTS THAT ARE HELD BY THE SEPARATE ACCOUNT AS OF
43 A DATE NOT EARLIER THAN THE END OF THE LAST YEAR FOR WHICH AN ANNUAL
44 STATEMENT WAS FILED WITH THE DIRECTOR.

1 (d) ANY CHARGES THAT WERE LEVIED AGAINST THE SEPARATE ACCOUNT DURING
2 THE PREVIOUS YEAR.

3 (e) A STATEMENT OF ANY CHANGE IN THE INVESTMENT OBJECTIVE AND
4 ORIENTATION OF THE SEPARATE ACCOUNT, IN ANY INVESTMENT RESTRICTION OR
5 MATERIAL QUANTITATIVE OR QUALITATIVE INVESTMENT REQUIREMENT THAT APPLIES TO
6 THE SEPARATE ACCOUNT OR IN THE INVESTMENT ADVISOR OF THE SEPARATE ACCOUNT.

7 3. FOR FLEXIBLE PREMIUM POLICIES, IF THE AMOUNTS THAT ARE AVAILABLE
8 UNDER THE POLICY ON ANY POLICY PROCESSING DAY TO PAY THE CHARGES THAT ARE
9 AUTHORIZED BY THE POLICY ARE LESS THAN THE AMOUNT NECESSARY TO KEEP THE
10 POLICY IN FORCE UNTIL THE NEXT FOLLOWING POLICY PROCESSING DAY, A REPORT THAT
11 INDICATES THE MINIMUM PAYMENT THAT IS REQUIRED UNDER THE TERMS OF THE POLICY
12 TO KEEP THE POLICY IN FORCE AND THE LENGTH OF THE GRACE PERIOD FOR THE
13 PAYMENT OF THAT AMOUNT.

14 20-2610. Foreign companies; compliance with laws of domiciliary
15 state

16 IF THE LAWS OF A FOREIGN COMPANY'S DOMICILIARY STATE PROVIDE A DEGREE
17 OF PROTECTION TO THE POLICYHOLDERS AND THE PUBLIC THAT IS SUBSTANTIALLY
18 SIMILAR TO THE DEGREE OF PROTECTION THAT IS PROVIDED BY THIS ARTICLE, THE
19 DIRECTOR MAY DETERMINE THAT THE FOREIGN COMPANY HAS COMPLIED WITH THIS
20 ARTICLE.

21 ARTICLE 2. VARIABLE ANNUITIES

22 20-2631. Definitions

23 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

24 1. "COMPANY" MEANS AN INSURER LICENSED PURSUANT TO THIS TITLE TO
25 TRANSACT LIFE INSURANCE OR ANNUITIES IN THIS STATE.

26 2. "VARIABLE ANNUITY" MEANS A POLICY OR CONTRACT THAT PROVIDES FOR
27 ANNUITY BENEFITS THAT VARY ACCORDING TO THE INVESTMENT EXPERIENCE OF A
28 SEPARATE ACCOUNT OR ACCOUNTS THAT THE INSURER MAINTAINS PURSUANT TO SECTION
29 20-651 OR THE CORRESPONDING INSURANCE LAWS OF A FOREIGN INSURER'S DOMICILIARY
30 STATE.

31 20-2632. Qualifications to issue variable annuities

32 A. A COMPANY SHALL NOT ISSUE OR ISSUE FOR DELIVERY IN THIS STATE
33 VARIABLE ANNUITIES UNLESS THE DIRECTOR IS SATISFIED THAT THE COMPANY'S
34 CONDITION OR METHOD OF OPERATION IN CONNECTION WITH THE ISSUANCE OF VARIABLE
35 ANNUITY CONTRACTS WILL NOT BE HAZARDOUS TO THE PUBLIC OR THE COMPANY'S
36 POLICYHOLDERS IN THIS STATE. THE DIRECTOR SHALL CONSIDER THE FOLLOWING:

37 1. THE HISTORY AND FINANCIAL CONDITION OF THE COMPANY.

38 2. THE CHARACTER, RESPONSIBILITY AND FITNESS OF THE COMPANY'S OFFICERS
39 AND DIRECTORS.

40 3. IF THE COMPANY IS A FOREIGN COMPANY, THE LAW UNDER WHICH THE
41 COMPANY IS AUTHORIZED IN ITS DOMICILIARY STATE TO ISSUE VARIABLE ANNUITIES.

42 B. IF THE COMPANY IS A SUBSIDIARY OF AN AUTHORIZED LIFE INSURANCE
43 COMPANY OR IS AFFILIATED WITH AN AUTHORIZED LIFE INSURANCE COMPANY BY COMMON

1 MANAGEMENT OR OWNERSHIP, THE DIRECTOR MAY DETERMINE THAT THE SUBSIDIARY HAS
2 COMPLIED WITH SUBSECTION A, PARAGRAPH 2, IF EITHER:

3 1. THE AUTHORIZED LIFE INSURANCE COMPANY HAS SATISFIED THE
4 REQUIREMENTS UNDER SUBSECTION A.

5 2. THE AUTHORIZED LIFE INSURANCE COMPANY OR THE COMPANY IS AUTHORIZED
6 TO AND HAS A SATISFACTORY RECORD OF DOING BUSINESS IN THIS STATE FOR AT LEAST
7 THREE YEARS.

8 C. BEFORE A COMPANY ISSUES OR ISSUES FOR DELIVERY VARIABLE ANNUITIES
9 IN THIS STATE, THE COMPANY SHALL SUBMIT ALL OF THE FOLLOWING TO THE DIRECTOR:

10 1. A GENERAL DESCRIPTION OF THE KINDS OF VARIABLE ANNUITIES THE
11 COMPANY INTENDS TO ISSUE.

12 2. IF REQUESTED BY THE DIRECTOR, A COPY OF THE LAWS OF THE COMPANY'S
13 STATE OF DOMICILE UNDER WHICH THE COMPANY IS AUTHORIZED TO ISSUE VARIABLE
14 ANNUITIES.

15 3. IF REQUESTED BY THE DIRECTOR, BIOGRAPHICAL DATA ON THE COMPANY'S
16 OFFICERS AND DIRECTORS. THE BIOGRAPHICAL DATA SHALL BE SUBMITTED ON THE
17 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS' BIOGRAPHICAL DATA FORMS.

18 20-2633. Separate account; annuities

19 A. A DOMESTIC COMPANY THAT ISSUES VARIABLE ANNUITIES SHALL ESTABLISH
20 ONE OR MORE SEPARATE ACCOUNTS PURSUANT TO SECTION 20-651.

21 B. EXCEPT PURSUANT TO SUBSECTION C OF THIS SECTION:

22 1. THE COMPANY MAY INVEST AND REINVEST AMOUNTS THAT ARE ALLOCATED TO
23 A SEPARATE ACCOUNT AND ACCUMULATIONS ON THE ALLOCATED AMOUNTS WITHOUT REGARD
24 TO ANY REQUIREMENTS OR LIMITATIONS THAT ARE PRESCRIBED BY THE LAWS OF THIS
25 STATE GOVERNING THE INVESTMENTS OF LIFE INSURANCE COMPANIES.

26 2. THE COMPANY SHALL NOT CONSIDER THE INVESTMENTS IN THE SEPARATE
27 ACCOUNT OR ACCOUNTS IN APPLYING THE INVESTMENT LIMITATIONS THAT OTHERWISE
28 APPLY TO THE INVESTMENTS OF THE COMPANY.

29 C. THE COMPANY MAY RETAIN ITS RESERVES FOR BENEFITS THAT ARE
30 GUARANTEED AS TO THE DOLLAR AMOUNT AND DURATION AND FOR FUNDS THAT ARE
31 GUARANTEED AS TO THE PRINCIPAL AMOUNT OR STATED RATE OF INTEREST IN A
32 SEPARATE ACCOUNT IF A PORTION OF THE ASSETS OF THE SEPARATE ACCOUNT IN AN
33 AMOUNT THAT IS AT LEAST EQUAL TO THE RESERVE LIABILITY IS INVESTED ACCORDING
34 TO THE LAWS OF THIS STATE GOVERNING THE INVESTMENTS OF LIFE INSURANCE
35 COMPANIES. THE COMPANY SHALL NOT CONSIDER THE PORTION OF THE ASSETS IN
36 APPLYING THE INVESTMENT LIMITATIONS THAT OTHERWISE APPLY TO THE INVESTMENTS
37 OF THE COMPANY.

38 D. WITH RESPECT TO SEVENTY-FIVE PER CENT OF THE MARKET VALUE OF THE
39 TOTAL ASSETS IN A SEPARATE ACCOUNT, A COMPANY SHALL NOT, UNLESS OTHERWISE
40 APPROVED BY THE DIRECTOR ON A SHOWING THAT THE APPROVAL WILL NOT BE HAZARDOUS
41 TO THE PUBLIC OR POLICYHOLDERS IN THIS STATE, PURCHASE OR OTHERWISE ACQUIRE
42 THE SECURITIES OF ANY ISSUER, OTHER THAN SECURITIES THAT ARE ISSUED OR
43 GUARANTEED AS TO PRINCIPAL OR INTEREST BY THE UNITED STATES, IF IMMEDIATELY
44 AFTER THE PURCHASE OR ACQUISITION THE MARKET VALUE OF THE INVESTMENT,

1 TOGETHER WITH PRIOR INVESTMENTS OF THE SEPARATE ACCOUNT IN THE SECURITY TAKEN
2 AT MARKET, WOULD EXCEED TEN PER CENT OF THE MARKET VALUE OF THE ASSETS OF THE
3 SEPARATE ACCOUNT.

4 E. UNLESS OTHERWISE PERMITTED BY LAW OR APPROVED BY THE DIRECTOR, A
5 COMPANY SHALL NOT PURCHASE OR OTHERWISE ACQUIRE FOR ITS SEPARATE ACCOUNTS THE
6 VOTING SECURITIES OF ANY ISSUER IF AS A RESULT OF THE ACQUISITION THE
7 INSURANCE COMPANY AND ITS SEPARATE ACCOUNTS, IN THE AGGREGATE, WILL OWN MORE
8 THAN TEN PER CENT OF THE TOTAL ISSUED AND OUTSTANDING VOTING SECURITIES OF
9 THE ISSUER. THIS LIMITATION DOES NOT APPLY TO SECURITIES THAT ARE HELD IN
10 SEPARATE ACCOUNTS, THE VOTING RIGHTS IN WHICH ARE EXERCISABLE ONLY ACCORDING
11 TO INSTRUCTIONS FROM THOSE PERSONS WHO HAVE AN INTEREST IN THE ACCOUNTS.

12 F. THE LIMITATIONS UNDER SUBSECTIONS D AND E OF THIS SECTION DO NOT
13 APPLY TO THE INVESTMENT WITH RESPECT TO A SEPARATE ACCOUNT IN THE SECURITIES
14 OF AN INVESTMENT COMPANY THAT IS REGISTERED UNDER THE INVESTMENT COMPANY ACT
15 OF 1940 (15 UNITED STATES CODE SECTIONS 80a-1 THROUGH 80a-64) IF THE
16 INVESTMENTS OF THE INVESTMENT COMPANY SUBSTANTIALLY COMPLY WITH SUBSECTIONS
17 D AND E OF THIS SECTION.

18 G. UNLESS THE DIRECTOR OTHERWISE APPROVES, ASSETS THAT ARE ALLOCATED
19 TO A SEPARATE ACCOUNT SHALL BE VALUED AT THEIR MARKET VALUE ON THE DATE OF
20 VALUATION. IF THERE IS NO READILY AVAILABLE MARKET, THE ASSETS SHALL BE
21 VALUED UNDER THE TERMS OF THE CONTRACT OR THE RULES OR OTHER WRITTEN
22 AGREEMENT THAT APPLIES TO THE SEPARATE ACCOUNT. UNLESS THE DIRECTOR
23 OTHERWISE APPROVES, THE PORTION, IF ANY, OF THE ASSETS OF THE SEPARATE
24 ACCOUNT THAT IS EQUAL TO THE COMPANY'S RESERVE LIABILITY WITH REGARD TO THE
25 BENEFITS AND FUNDS UNDER SUBSECTION C OF THIS SECTION SHALL BE VALUED
26 ACCORDING TO THE RULES THAT OTHERWISE APPLY TO THE COMPANY'S ASSETS.

27 H. EXCEPT AS PROVIDED UNDER THE APPLICABLE CONTRACTS, THAT PORTION OF
28 THE ASSETS OF ANY SEPARATE ACCOUNT THAT IS EQUAL TO THE RESERVES AND OTHER
29 CONTRACT LIABILITIES WITH RESPECT TO THE ACCOUNT SHALL NOT BE CHARGED WITH
30 LIABILITIES ARISING OUT OF ANY OTHER BUSINESS THE COMPANY MAY CONDUCT.

31 I. NOTWITHSTANDING ANY LAW TO THE CONTRARY, A COMPANY MAY EITHER:

32 1. WITH RESPECT TO A SEPARATE ACCOUNT THAT IS REGISTERED WITH THE
33 SECURITIES AND EXCHANGE COMMISSION AS A UNIT INVESTMENT TRUST, EXERCISE
34 VOTING RIGHTS IN CONNECTION WITH ANY SECURITIES OF A REGULATED INVESTMENT
35 COMPANY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940 AND HELD IN THE
36 SEPARATE ACCOUNTS ACCORDING TO INSTRUCTIONS FROM THOSE PERSONS WHO HAVE AN
37 INTEREST IN THE ACCOUNTS RATABLY AS DETERMINED BY THE COMPANY.

38 2. WITH RESPECT TO A SEPARATE ACCOUNT THAT IS REGISTERED WITH THE
39 SECURITIES AND EXCHANGE COMMISSION AS A MANAGEMENT INVESTMENT COMPANY,
40 ESTABLISH FOR THE ACCOUNT A COMMITTEE, A BOARD OR ANY OTHER BODY. THE
41 MEMBERS OF THE COMMITTEE, BOARD OR OTHER BODY MAY OR MAY NOT BE AFFILIATED
42 WITH THE COMPANY AND MAY BE ELECTED TO THE MEMBERSHIP BY THE VOTE OF THOSE
43 PERSONS WHO HAVE AN INTEREST IN THE ACCOUNTS RATABLY AS DETERMINED BY THE
44 COMPANY. THIS COMMITTEE, BOARD OR OTHER BODY, ALONE OR IN CONJUNCTION WITH

1 OTHERS, MAY MANAGE THE SEPARATE ACCOUNT AND THE INVESTMENT OF ITS ASSETS.
2 ANY COMPANY, COMMITTEE, BOARD OR OTHER BODY MAY SUBJECT TO APPROVAL OF THE
3 DIRECTOR ON A SHOWING THAT THE APPROVAL WILL NOT BE HAZARDOUS TO THE PUBLIC
4 OR POLICYHOLDERS OF THIS STATE MAKE SUCH OTHER PROVISIONS IN RESPECT TO ANY
5 SUCH SEPARATE ACCOUNT AS MAY BE DEEMED APPROPRIATE TO FACILITATE COMPLIANCE
6 WITH THE REQUIREMENTS OF ANY FEDERAL OR STATE LAW.

7 J. A COMPANY MAY NOT SELL, EXCHANGE OR OTHERWISE TRANSFER ASSETS
8 BETWEEN ANY OF ITS SEPARATE ACCOUNTS OR BETWEEN ANY OTHER INVESTMENT ACCOUNT
9 AND ONE OR MORE OF ITS SEPARATE ACCOUNTS UNLESS EITHER:

10 1. THE DIRECTOR APPROVES THE SALE, TRANSFER OR EXCHANGE BASED ON A
11 SHOWING THAT THE SALE, TRANSFER OR EXCHANGE IS EQUITABLE TO CURRENT
12 POLICYHOLDERS.

13 2. BOTH OF THE FOLLOWING OCCUR:

14 (a) IF THE TRANSFER IS INTO A SEPARATE ACCOUNT, THE TRANSFER IS MADE
15 SOLELY TO ESTABLISH THE ACCOUNT OR TO SUPPORT THE OPERATION OF THE CONTRACTS
16 WITH RESPECT TO THE SEPARATE ACCOUNT TO WHICH THE TRANSFER IS MADE.

17 (b) IF THE TRANSFER IS INTO OR FROM A SEPARATE ACCOUNT, THE TRANSFER
18 IS MADE EITHER:

19 (i) BY A TRANSFER OF CASH.

20 (ii) BY A TRANSFER OF SECURITIES HAVING A VALUATION THAT CAN BE
21 READILY DETERMINED IN THE MARKETPLACE, IF THE DIRECTOR APPROVES THE TRANSFER
22 OF THE SECURITIES.

23 K. EXCEPT AS OTHERWISE APPROVED BY THE DIRECTOR, THE COMPANY SHALL
24 MAINTAIN IN EACH SEPARATE ACCOUNT ASSETS WITH A VALUE IN AN AMOUNT THAT IS
25 AT LEAST EQUAL TO THE RESERVES AND OTHER CONTRACT LIABILITIES WITH RESPECT
26 TO THE ACCOUNT.

27 L. ANY LAW THAT RELATES TO CONFLICTS OF INTEREST AND THAT APPLIES TO
28 THE OFFICERS AND DIRECTORS OF INSURANCE COMPANIES ALSO APPLIES TO THE MEMBERS
29 OF ANY SEPARATE ACCOUNTS COMMITTEE, BOARD OR OTHER BODY THAT IS ESTABLISHED
30 PURSUANT TO SUBSECTION I OF THIS SECTION. AN OFFICER OR DIRECTOR OF THE
31 COMPANY OR A MEMBER OF THE COMMITTEE, BOARD OR BODY OF A SEPARATE ACCOUNT
32 SHALL NOT RECEIVE, DIRECTLY OR INDIRECTLY, ANY COMMISSION OR OTHER
33 COMPENSATION WITH RESPECT TO THE PURCHASE OR SALE OF ANY ASSETS OF THE
34 SEPARATE ACCOUNT.

35 20-2634. Filing of contracts; approval

36 UNLESS EXEMPT PURSUANT TO CHAPTER 5, ARTICLE 1 OF THIS TITLE, EACH
37 INSURER SHALL FILE WITH THE DIRECTOR ALL VARIABLE ANNUITY CONTRACTS AND ALL
38 RIDERS, ENDORSEMENTS, APPLICATIONS AND OTHER DOCUMENTS THAT ARE ATTACHED TO
39 AND MADE PART OF THE CONTRACT AND THAT RELATE TO THE VARIABLE NATURE OF THE
40 CONTRACT. THE DIRECTOR SHALL APPROVE ALL VARIABLE ANNUITY CONTRACTS BEFORE
41 THEY ARE DELIVERED OR ISSUED FOR DELIVERY IN THIS STATE.

42 20-2635. Variable annuity contracts

43 A. A VARIABLE ANNUITY THAT PROVIDES BENEFITS PAYABLE IN VARIABLE
44 AMOUNTS AND THAT IS DELIVERED OR ISSUED FOR DELIVERY IN THIS STATE SHALL

1 CONTAIN A STATEMENT OF THE ESSENTIAL FEATURES OF THE PROCEDURES THE INSURANCE
2 COMPANY MUST FOLLOW IN DETERMINING THE DOLLAR AMOUNT OF THE VARIABLE
3 BENEFITS. THE CONTRACT, INCLUDING A GROUP CONTRACT AND ANY CERTIFICATE IN
4 EVIDENCE OF VARIABLE BENEFITS THAT IS ISSUED UNDER THE CONTRACT, SHALL STATE
5 THAT THE DOLLAR AMOUNT WILL VARY TO REFLECT INVESTMENT EXPERIENCE AND SHALL
6 CONTAIN ON ITS FIRST PAGE A CLEAR STATEMENT THAT THE BENEFITS UNDER THE
7 CONTRACT ARE ON A VARIABLE BASIS.

8 B. ILLUSTRATIONS OF BENEFITS THAT ARE PAYABLE UNDER A VARIABLE ANNUITY
9 SHALL NOT INCLUDE PROJECTIONS OF PAST INVESTMENT EXPERIENCE INTO THE FUTURE
10 OR ATTEMPTED PREDICTIONS OF FUTURE INVESTMENT EXPERIENCE. THIS SUBSECTION
11 DOES NOT PROHIBIT THE USE OF HYPOTHETICAL ASSUMED RATES OF RETURN TO
12 ILLUSTRATE POSSIBLE BENEFIT LEVELS.

13 C. AN INSURER SHALL NOT DELIVER OR ISSUE FOR DELIVERY IN THIS STATE
14 AN INDIVIDUAL VARIABLE ANNUITY CONTRACT THAT CALLS FOR THE PAYMENT OF
15 PERIODIC STIPULATED PAYMENTS UNLESS THE CONTRACT CONTAINS IN SUBSTANCE THE
16 FOLLOWING PROVISION OR PROVISIONS:

17 1. A GRACE PERIOD PROVISION OF THIRTY DAYS OR OF ONE MONTH, WITHIN
18 WHICH ANY STIPULATED PAYMENT TO THE INSURER THAT FALLS DUE AFTER THE FIRST
19 DAY MAY BE MADE AND DURING WHICH THE CONTRACT SHALL CONTINUE IN FORCE. THE
20 CONTRACT MAY STATE THE BASIS FOR DETERMINING THE DATE AS OF WHICH ANY PAYMENT
21 THAT IS RECEIVED DURING THE GRACE PERIOD SHALL BE APPLIED TO PRODUCE THE
22 VALUES UNDER THE CONTRACT ARISING FROM THE CONTRACT.

23 2. A REINSTATEMENT PROVISION THAT UNLESS THE CASH SURRENDER VALUE HAS
24 BEEN PAID THE CONTRACT MAY BE REINSTATED ON THE PAYMENT TO THE INSURER OF THE
25 OVERDUE PAYMENTS AS REQUIRED BY CONTRACT AND ALL INDEBTEDNESS ON THE
26 CONTRACT, INCLUDING INTEREST, AT ANY TIME AFTER THE DATE OF THE DEFAULT IN
27 MAKING PERIODIC STIPULATED PAYMENTS TO THE INSURER DURING THE LIFE OF THE
28 ANNUITANT. THE CONTRACT MAY STATE THE BASIS FOR DETERMINING THE DATE AS OF
29 WHICH THE AMOUNT TO COVER THE OVERDUE PAYMENTS AND INDEBTEDNESS SHALL BE
30 APPLIED TO PRODUCE THE VALUES UNDER THE CONTRACT ARISING FROM THE CONTRACT.

31 D. A VARIABLE ANNUITY CONTRACT THAT IS DELIVERED OR ISSUED FOR
32 DELIVERY IN THIS STATE SHALL STIPULATE THE INVESTMENT INCREMENT FACTORS THE
33 INSURER WILL USE IN COMPUTING THE DOLLAR AMOUNT OF VARIABLE BENEFITS OR OTHER
34 VARIABLE CONTRACTUAL PAYMENTS OR VALUES UNDER THE VARIABLE ANNUITY CONTRACT.
35 THE CONTRACT MAY GUARANTEE THAT EXPENSE OR MORTALITY RESULTS, OR BOTH, DO NOT
36 ADVERSELY AFFECT THE DOLLAR AMOUNTS. IF THE EXPENSE AND MORTALITY RESULTS
37 MAY ADVERSELY AFFECT THE DOLLAR AMOUNT OF BENEFITS, THE INSURER SHALL
38 STIPULATE THE EXPENSE AND MORTALITY FACTORS IN THE CONTRACT. FOR THE
39 PURPOSES OF THIS SUBSECTION, THE CONTRACT MAY STIPULATE THAT EXPENSE EXCLUDES
40 SOME OR ALL TAXES.

41 E. IN COMPUTING THE DOLLAR AMOUNT OF VARIABLE BENEFITS OR OTHER
42 CONTRACTUAL PAYMENTS OR VALUES UNDER AN INDIVIDUAL VARIABLE ANNUITY CONTRACT:

43 1. UNLESS THE DIRECTOR OTHERWISE APPROVES, THE ANNUAL NET INVESTMENT
44 INCREMENT ASSUMPTION SHALL NOT EXCEED FIVE PER CENT.

1 2. TO THE EXTENT THAT THE LEVEL OF BENEFITS MAY BE AFFECTED BY FUTURE
2 MORTALITY RESULTS, UNLESS THE DIRECTOR APPROVES THE USE OF ANOTHER TABLE THE
3 MORTALITY FACTOR SHALL BE DETERMINED FROM THE ANNUITY MORTALITY TABLE FOR
4 1949, ULTIMATE, OR ANY MODIFICATION OF THAT TABLE NOT HAVING A LOWER LIFE
5 EXPECTANCY AT ANY AGE.

6 F. THE RESERVE LIABILITY FOR VARIABLE ANNUITIES SHALL BE ESTABLISHED
7 PURSUANT TO THE REQUIREMENTS OF SECTION 20-510 IN ACCORDANCE WITH ACTUARIAL
8 PROCEDURES THAT RECOGNIZE THE VARIABLE NATURE OF THE BENEFITS PROVIDED AND
9 ANY MORTALITY GUARANTEES.

10 20-2636. Nonforfeiture benefits; exceptions; definition

11 A. THIS SECTION DOES NOT APPLY TO THE FOLLOWING:

12 1. REINSURANCE.

13 2. GROUP ANNUITY CONTRACT PURCHASES THAT ARE MADE IN CONNECTION WITH
14 ONE OR MORE RETIREMENT OR DEFERRED COMPENSATION PLANS THAT ARE ESTABLISHED
15 OR MAINTAINED BY OR FOR ONE OR MORE EMPLOYERS, INCLUDING PARTNERSHIPS OR SOLE
16 PROPRIETORSHIPS, EMPLOYEE ORGANIZATIONS OR ANY COMBINATION OF PARTNERSHIPS,
17 PROPRIETORSHIPS AND EMPLOYEE ORGANIZATIONS. THIS EXCEPTION DOES NOT APPLY
18 TO GROUP ANNUITY CONTRACT PURCHASES THAT ARE MADE IN CONNECTION WITH PLANS
19 THAT PROVIDE INDIVIDUAL RETIREMENT ACCOUNTS OR INDIVIDUAL RETIREMENT
20 ANNUITIES UNDER SECTION 408 OF THE INTERNAL REVENUE CODE.

21 3. A PREMIUM DEPOSIT FUND.

22 4. AN INVESTMENT ANNUITY.

23 5. AN IMMEDIATE ANNUITY.

24 6. A DEFERRED ANNUITY CONTRACT AFTER ANNUITY PAYMENTS BEGIN.

25 7. A REVERSIONARY ANNUITY.

26 8. A CONTRACT THAT IS DELIVERED OUTSIDE THIS STATE THROUGH ANY AGENT
27 OR OTHER REPRESENTATIVE OF THE COMPANY ISSUING THE CONTRACT.

28 B. TO THE EXTENT THAT A VARIABLE ANNUITY CONTRACT PROVIDES BENEFITS
29 THAT DO NOT VARY ACCORDING TO THE INVESTMENT PERFORMANCE OF A SEPARATE
30 ACCOUNT BEFORE THE ANNUITY COMMENCEMENT DATE, THE CONTRACT SHALL CONTAIN
31 PROVISIONS THAT SATISFY THE REQUIREMENTS OF SECTION 20-1232 AND THE CONTRACT
32 IS NOT SUBJECT TO THIS SECTION.

33 C. EXCEPT PURSUANT TO SUBSECTIONS A AND B OF THIS SECTION, IF A
34 CONTRACT IS ISSUED ON OR AFTER JANUARY 1, 1998, A VARIABLE ANNUITY CONTRACT
35 SHALL NOT BE DELIVERED OR ISSUED FOR DELIVERY IN THIS STATE UNLESS IT
36 CONTAINS IN SUBSTANCE THE FOLLOWING PROVISIONS OR CORRESPONDING PROVISIONS
37 THAT THE DIRECTOR DETERMINES ARE AT LEAST AS FAVORABLE TO THE CONTRACT
38 HOLDER:

39 1. THAT, ON CESSATION OF THE PAYMENT OF CONSIDERATIONS UNDER A
40 CONTRACT, THE COMPANY WILL GRANT A PAID-UP ANNUITY BENEFIT ON A PLAN THAT IS
41 DESCRIBED IN THE CONTRACT AND THAT COMPLIES WITH SUBSECTION G OF THIS
42 SECTION. THE DESCRIPTION SHALL INCLUDE A STATEMENT OF THE MORTALITY TABLE,
43 IF ANY, AND THE GUARANTEED OR ASSUMED INTEREST RATES THAT ARE USED IN
44 CALCULATING ANNUITY PAYMENTS.

1 2. IF A CONTRACT PROVIDES FOR A LUMP SUM SETTLEMENT AT MATURITY OR AT
2 ANY OTHER TIME, THAT, ON THE SURRENDER OF THE CONTRACT AT OR BEFORE THE
3 COMMENCEMENT OF ANY ANNUITY PAYMENTS, THE COMPANY WILL PAY IN LIEU OF ANY
4 PAID-UP ANNUITY BENEFIT A CASH SURRENDER BENEFIT THAT IS DESCRIBED IN THE
5 CONTRACT AND THAT COMPLIES WITH SUBSECTION H OF THIS SECTION. THE CONTRACT
6 MAY PROVIDE THAT THE COMPANY RESERVES THE RIGHT TO DEFER THE DETERMINATION
7 AND PAYMENT OF ANY CASH SURRENDER BENEFIT FOR ANY PERIOD DURING WHICH THE NEW
8 YORK STOCK EXCHANGE IS CLOSED FOR TRADING EXCEPT FOR NORMAL HOLIDAYS OR IN
9 WHICH THE SECURITIES AND EXCHANGE COMMISSION DETERMINES THAT A STATE OF
10 EMERGENCY EXISTS.

11 3. A STATEMENT THAT ANY PAID-UP ANNUITY, CASH SURRENDER OR DEATH
12 BENEFITS THAT MAY BE AVAILABLE UNDER THE CONTRACT ARE NOT LESS THAN THE
13 MINIMUM BENEFITS THAT ARE REQUIRED BY THE LAWS OF THE STATE IN WHICH THE
14 CONTRACT IS DELIVERED AND AN EXPLANATION OF THE MANNER IN WHICH THE BENEFITS
15 ARE ALTERED BY ANY OF THE FOLLOWING:

16 (a) THE EXISTENCE OF ANY ADDITIONAL AMOUNTS THE COMPANY CREDITED TO
17 THE CONTRACT.

18 (b) ANY INDEBTEDNESS TO THE COMPANY ON THE CONTRACT.

19 (c) ANY PRIOR WITHDRAWALS FROM OR PARTIAL SURRENDERS OF THE CONTRACT.

20 D. THE MINIMUM VALUES UNDER THIS SECTION OF ANY PAID-UP ANNUITY, CASH
21 SURRENDER OR DEATH BENEFITS THAT ARE AVAILABLE UNDER A VARIABLE ANNUITY
22 CONTRACT SHALL BE BASED ON NONFORFEITURE AMOUNTS THAT MEET THE FOLLOWING
23 REQUIREMENTS:

24 1. THE MINIMUM NONFORFEITURE AMOUNT ON ANY DATE BEFORE THE ANNUITY
25 COMMENCEMENT DATE SHALL BE AN AMOUNT THAT IS EQUAL TO THE PERCENTAGES OF NET
26 CONSIDERATIONS UNDER SUBSECTION E OF THIS SECTION, AND INCREASED OR DECREASED
27 BY THE NET INVESTMENT RETURN THAT IS ALLOCATED TO THE PERCENTAGES OF NET
28 CONSIDERATIONS. THIS AMOUNT SHALL BE REDUCED TO REFLECT THE EFFECT OF:

29 (a) ANY PARTIAL WITHDRAWALS FROM OR PARTIAL SURRENDERS OF THE
30 CONTRACT.

31 (b) THE AMOUNT OF ANY INDEBTEDNESS ON THE CONTRACT, INCLUDING INTEREST
32 DUE AND ACCRUED.

33 (c) AN ANNUAL CONTRACT CHARGE THAT IS NOT LESS THAN ZERO AND THAT IS
34 EQUAL TO THE LESSER OF THIRTY DOLLARS OR TWO PER CENT OF THE END OF YEAR
35 CONTRACT VALUE, LESS THE AMOUNT OF ANY ANNUAL CONTRACT CHARGE THAT IS
36 DEDUCTED FROM ANY GROSS CONSIDERATIONS CREDITED TO THE CONTRACT DURING THE
37 CONTRACT YEAR.

38 (d) A TRANSACTION CHARGE OF TEN DOLLARS FOR EACH TRANSFER TO ANOTHER
39 SEPARATE ACCOUNT OR TO ANOTHER INVESTMENT DIVISION WITHIN THE SAME SEPARATE
40 ACCOUNT.

41 2. THE NET INVESTMENT RETURN TO BE CREDITED TO A CONTRACT SHALL BE
42 DETERMINED AT LEAST MONTHLY.

43 3. THE ANNUAL THIRTY DOLLAR CONTRACT CHARGE AND THE TEN DOLLAR
44 TRANSACTION CHARGE UNDER PARAGRAPH 1 OF THIS SUBSECTION WILL BE ADJUSTED TO

1 REFLECT CHANGES IN THE CONSUMER PRICE INDEX PURSUANT TO SUBSECTION F OF THIS
2 SECTION.

3 FOR THE PURPOSES OF THIS SUBSECTION, "NET INVESTMENT RETURN" MEANS THE RATE
4 OF INVESTMENT RETURN THAT IS IN AN AMOUNT THAT DOES NOT EXCEED THE ACTUAL
5 EXPENSE NOT OFFSET BY OTHER DEDUCTIONS AND THAT IS CREDITED TO THE VARIABLE
6 ANNUITY CONTRACT ACCORDING TO THE TERMS OF THE CONTRACT AFTER DEDUCTIONS FOR
7 TAX CHARGES, IF ANY, FOR ASSET CHARGES EITHER AT A RATE THAT DOES NOT EXCEED
8 THE RATE STATED IN THE CONTRACT, OR IF THE CONTRACT IS ISSUED BY A NONPROFIT
9 CORPORATION UNDER WHICH THE CONTRACT HOLDER PARTICIPATES FULLY IN THE
10 INVESTMENT, FOR MORTALITY AND EXPENSE EXPERIENCE OF THE ACCOUNT.

11 E. THE PERCENTAGES OF NET CONSIDERATIONS THAT ARE USED TO DEFINE THE
12 MINIMUM NONFORFEITURE AMOUNT UNDER SUBSECTION D OF THIS SECTION SHALL MEET
13 ONE OF THE FOLLOWING REQUIREMENTS:

14 1. FOR CONTRACTS THAT PROVIDE FOR PERIODIC CONSIDERATIONS, THE NET
15 CONSIDERATIONS FOR A GIVEN CONTRACT YEAR THAT ARE USED TO DEFINE THE MINIMUM
16 NONFORFEITURE AMOUNT SHALL BE AN AMOUNT NOT LESS THAN ZERO AND SHALL BE EQUAL
17 TO THE CORRESPONDING GROSS CONSIDERATIONS THAT ARE CREDITED TO THE CONTRACT
18 DURING THAT CONTRACT YEAR LESS AN ANNUAL CONTRACT CHARGE OF THIRTY DOLLARS,
19 LESS A COLLECTION CHARGE OF ONE DOLLAR AND TWENTY-FIVE CENTS FOR EACH
20 PERIODIC CONSIDERATION CREDITED TO THE CONTRACT DURING THAT CONTRACT YEAR,
21 AND LESS ANY CHARGES FOR PREMIUM TAXES. THE PERCENTAGES USED TO CALCULATE
22 THE MINIMUM NONFORFEITURE AMOUNT SHALL BE AS FOLLOWS:

23 (a) FOR THE FIRST CONTRACT YEAR, SIXTY-FIVE PER CENT OF THE NET
24 CONSIDERATIONS.

25 (b) FOR EACH RENEWAL CONTRACT YEAR, EIGHTY-SEVEN AND ONE-HALF PER CENT
26 OF THE NET CONSIDERATIONS, EXCEPT THAT FOR ANY PORTION OF THE TOTAL NET
27 CONSIDERATION FOR A RENEWAL CONTRACT YEAR THAT EXCEEDS BY NOT MORE THAN TWO
28 TIMES THE SUM OF THOSE PORTIONS OF THE NET CONSIDERATIONS IN ALL PRIOR
29 CONTRACT YEARS FOR WHICH THE PERCENTAGE WAS SIXTY-FIVE PER CENT, THE
30 PERCENTAGE TO BE APPLIED TO THIS AMOUNT SHALL BE SIXTY-FIVE PER CENT.

31 2. FOR CONTRACTS THAT PROVIDE FOR A SINGLE CONSIDERATION, THE NET
32 CONSIDERATION THAT IS USED TO DEFINE THE MINIMUM NONFORFEITURE AMOUNT SHALL
33 BE THE GROSS CONSIDERATION LESS A SEVENTY-FIVE DOLLAR CONTRACT CHARGE AND
34 LESS ANY CHARGES FOR PREMIUM TAXES. THE PERCENTAGE OF THE NET CONSIDERATION
35 SHALL BE NINETY PER CENT. THE ANNUAL THIRTY DOLLAR CONTRACT CHARGE, THE
36 COLLECTION CHARGE OF ONE DOLLAR TWENTY-FIVE CENTS PER COLLECTION AND THE
37 SEVENTY-FIVE DOLLAR SINGLE CONSIDERATION CONTRACT CHARGE WILL BE ADJUSTED TO
38 REFLECT CHANGES IN THE CONSUMER PRICE INDEX PURSUANT TO SUBSECTION F OF THIS
39 SECTION.

40 F. A DEMONSTRATION THAT A CONTRACT'S NONFORFEITURE AMOUNTS COMPLY WITH
41 THIS SECTION SHALL BE BASED ON THE FOLLOWING ASSUMPTIONS, UNLESS THE COMPANY
42 DEMONSTRATES THE SUITABILITY OF ALTERNATIVE ASSUMPTIONS:

1 1. THE TESTING OF VALUES SHALL OCCUR AT THE END OF EACH OF THE FIRST
2 TWENTY CONTRACT YEARS.

3 2. A NET INVESTMENT RETURN OF SEVEN PER CENT PER YEAR.

4 3. IF THE CONTRACT PROVIDES FOR TRANSFERS TO ANOTHER SEPARATE ACCOUNT
5 OR TO ANOTHER INVESTMENT DIVISION WITHIN THE SAME SEPARATE ACCOUNT, ONE
6 TRANSFER PER CONTRACT YEAR.

7 4. IN DETERMINING THE STATE PREMIUM TAX THAT APPLIES TO THE CONTRACT,
8 THE STATE OF RESIDENCE IS THE STATE OF DELIVERY.

9 5. WITH RESPECT TO CONTRACTS THAT PROVIDE FOR PERIODIC CONSIDERATIONS,
10 MONTHLY CONSIDERATIONS OF ONE HUNDRED DOLLARS FOR EACH OF THE FIRST TWO
11 HUNDRED FORTY MONTHS.

12 6. WITH RESPECT TO CONTRACTS THAT PROVIDE FOR A SINGLE CONSIDERATION,
13 A TEN THOUSAND DOLLAR SINGLE CONSIDERATION.

14 7. THE FOLLOWING CONTRACT CHARGES:

15 (a) FOR CONTRACTS THAT ARE FILED IN 1980 OR EARLIER, THE ANNUAL THIRTY
16 DOLLAR CONTRACT CHARGE, THE CHARGE OF TEN DOLLARS PER TRANSFER, THE
17 COLLECTION CHARGE OF ONE DOLLAR TWENTY-FIVE CENTS PER CONSIDERATION AND THE
18 SEVENTY-FIVE DOLLAR CONTRACT CHARGE.

19 (b) FOR CONTRACTS THAT ARE FILED IN 1981 OR AFTER, THE CONTRACT
20 CHARGES LISTED IN SUBDIVISION (a) OF THIS PARAGRAPH MULTIPLIED BY THE RATIO
21 OF THE CONSUMER PRICE INDEX FOR JUNE OF THE CALENDAR YEAR PRECEDING THE DATE
22 OF FILING TO THE CONSUMER PRICE INDEX FOR JUNE, 1979.

23 8. IF THE CONTRACT PROVIDES FOR THE ALLOCATION OF CONSIDERATIONS TO
24 BOTH FIXED AND VARIABLE ACCOUNTS, ALLOCATE ONE HUNDRED PER CENT OF THE
25 CONSIDERATIONS TO THE VARIABLE ACCOUNT.

26 G. A PAID-UP ANNUITY BENEFIT THAT IS AVAILABLE UNDER A VARIABLE
27 ANNUITY CONTRACT SHALL BE IN AN AMOUNT SO THAT ITS PRESENT VALUE ON THE
28 ANNUITY COMMENCEMENT DATE IS AT LEAST EQUAL TO THE MINIMUM NONFORFEITURE
29 AMOUNT ON THE ANNUITY COMMENCEMENT DATE. THE INSURER SHALL COMPUTE THE
30 PRESENT VALUE BY USING THE MORTALITY TABLE, IF ANY, AND THE GUARANTEED OR
31 ASSUMED INTEREST RATES THAT ARE USED IN CALCULATING THE ANNUITY PAYMENTS.

32 H. FOR VARIABLE ANNUITY CONTRACTS THAT PROVIDE CASH SURRENDER
33 BENEFITS, AT ANY TIME BEFORE THE ANNUITY COMMENCEMENT DATE THE CASH SURRENDER
34 BENEFIT SHALL NOT BE LESS THAN THE MINIMUM NONFORFEITURE AMOUNT NEXT COMPUTED
35 AFTER THE COMPANY RECEIVES THE REQUEST FOR SURRENDER. THE DEATH BENEFIT
36 UNDER THE CONTRACTS SHALL BE AT LEAST EQUAL TO THE CASH SURRENDER BENEFIT.

37 I. A VARIABLE ANNUITY CONTRACT THAT DOES NOT PROVIDE CASH SURRENDER
38 BENEFITS OR THAT DOES NOT PROVIDE DEATH BENEFITS THAT ARE AT LEAST EQUAL TO
39 THE MINIMUM NONFORFEITURE AMOUNT BEFORE THE ANNUITY COMMENCEMENT DATE SHALL
40 PROMINENTLY STATE IN THE CONTRACT THAT THESE BENEFITS ARE NOT PROVIDED.

1 J. NOTWITHSTANDING THE REQUIREMENTS OF THIS SECTION, A VARIABLE
2 ANNUITY CONTRACT MAY PROVIDE THAT THE COMPANY MAY CANCEL THE ANNUITY AND PAY
3 THE CONTRACT HOLDER ITS ACCUMULATED VALUE AND THAT ON THE PAYMENT OF ITS
4 ACCUMULATED VALUE THE COMPANY IS RELEASED FROM ANY FURTHER OBLIGATION UNDER
5 THE CONTRACT IF EITHER:

6 1. AT THE TIME THE ANNUITY BECOMES PAYABLE THE ACCUMULATED VALUE IS
7 LESS THAN TWO THOUSAND DOLLARS, OR WOULD PROVIDE AN INCOME THE INITIAL AMOUNT
8 OF WHICH IS LESS THAN TWENTY DOLLARS PER MONTH.

9 2. BEFORE THE ANNUITY BECOMES PAYABLE UNDER A PERIODIC PAYMENT
10 VARIABLE ANNUITY CONTRACT, CONSIDERATIONS HAVE NOT BEEN RECEIVED UNDER THE
11 CONTRACT FOR THE TWO FULL YEARS PRECEDING THE CANCELLATION AND BOTH:

12 (a) THE CONSIDERATIONS WERE PAID BEFORE THE ANNUITY BECAME PAYABLE AND
13 WERE REDUCED TO REFLECT ANY PARTIAL WITHDRAWALS FROM OR PARTIAL SURRENDERS
14 OF THE CONTRACT.

15 (b) THE ACCUMULATED VALUE AMOUNTED TO LESS THAN TWO THOUSAND DOLLARS.

16 K. FOR A VARIABLE ANNUITY CONTRACT THAT PROVIDES WITHIN THE SAME
17 CONTRACT BY RIDER OR SUPPLEMENTAL CONTRACT PROVISION BOTH ANNUITY BENEFITS
18 AND LIFE INSURANCE BENEFITS THAT ARE IN EXCESS OF THE GREATER OF THE CASH
19 SURRENDER BENEFITS OR A RETURN OF THE GROSS CONSIDERATIONS WITH INTEREST, THE
20 MINIMUM NONFORFEITURE BENEFITS SHALL BE EQUAL TO THE SUM OF THE MINIMUM
21 NONFORFEITURE BENEFITS FOR THE ANNUITY PORTION AND THE MINIMUM NONFORFEITURE
22 BENEFITS, IF ANY, FOR THE LIFE INSURANCE PORTION COMPUTED AS IF EACH PORTION
23 WERE A SEPARATE CONTRACT. NOTWITHSTANDING SUBSECTION D OF THIS SECTION, IN
24 ASCERTAINING THE MINIMUM NONFORFEITURE AMOUNTS AND PAID-UP ANNUITY, CASH
25 SURRENDER AND DEATH BENEFITS THAT MAY BE REQUIRED BY THIS SECTION, THE
26 INSURER SHALL DISREGARD ANY ADDITIONAL BENEFITS THAT ARE PAYABLE IN THE EVENT
27 OF A TOTAL AND PERMANENT DISABILITY, AS REVERSIONARY ANNUITY OR DEFERRED
28 REVERSIONARY ANNUITY BENEFITS OR AS OTHER POLICY BENEFITS IN ADDITION TO LIFE
29 INSURANCE, ENDOWMENT AND ANNUITY BENEFITS, AND THE CONSIDERATIONS FOR ALL OF
30 THE ADDITIONAL BENEFITS. THE INCLUSION OF THE ADDITIONAL BENEFITS IS NOT
31 REQUIRED IN ANY PAID-UP BENEFITS, UNLESS THE ADDITIONAL BENEFITS SEPARATELY
32 WOULD REQUIRE MINIMUM NONFORFEITURE AMOUNTS AND PAID-UP ANNUITY, CASH
33 SURRENDER AND DEATH BENEFITS.

34 L. FOR THE PURPOSES OF THIS SECTION, "CONSUMER PRICE INDEX" MEANS THE
35 INDEX FOR ALL URBAN CONSUMERS FOR ALL ITEMS THAT IS PUBLISHED BY THE BUREAU
36 OF LABOR STATISTICS OF THE UNITED STATES DEPARTMENT OF LABOR OR ITS
37 SUCCESSOR.

38 20-2637. Reports

39 A. AT LEAST ONCE IN EACH CONTRACT YEAR AFTER THE FIRST CONTRACT YEAR,
40 A COMPANY THAT ISSUES INDIVIDUAL VARIABLE ANNUITIES SHALL MAIL TO THE
41 CONTRACT HOLDER AT THE CONTRACT HOLDER'S LAST KNOWN ADDRESS A STATEMENT
42 REPORTING THE INVESTMENTS THAT ARE HELD IN THE SEPARATE ACCOUNT AS OF A DATE
43 NOT MORE THAN FOUR MONTHS BEFORE THE DATE OF MAILING. THE COMPANY SHALL
44 SUBMIT ANNUALLY TO THE DIRECTOR ON A FORM PRESCRIBED BY THE NATIONAL

1 ASSOCIATION OF INSURANCE COMMISSIONERS A STATEMENT OF THE BUSINESS OF ITS
2 SEPARATE ACCOUNT OR ACCOUNTS.

3 B. IF PAYMENTS UNDER AN ANNUITY CONTRACT HAVE NOT YET COMMENCED THE
4 STATEMENT SHALL CONTAIN EITHER:

5 1. THE NUMBER OF ACCUMULATION UNITS THAT ARE CREDITED TO THE CONTRACT
6 AND THE DOLLAR VALUE OF A UNIT.

7 2. THE VALUE OF THE CONTRACT HOLDER'S ACCOUNT.

8 20-2638. Foreign companies

9 IF THE LAW IN A FOREIGN COMPANY'S DOMICILIARY STATE PROVIDES A DEGREE
10 OF PROTECTION TO THE POLICYHOLDERS AND THE PUBLIC THAT IS SUBSTANTIALLY EQUAL
11 TO THE DEGREE OF PROTECTION THAT IS PROVIDED BY THIS ARTICLE, THE DIRECTOR
12 MAY DETERMINE THAT THE FOREIGN COMPANY HAS COMPLIED WITH THIS ARTICLE.

13 ARTICLE 2.1. AGENT QUALIFICATIONS

14 20-2641. Scope of article; definition

15 A. THIS ARTICLE APPLIES TO ALL AGENTS AS DEFINED IN SECTION 20-2601
16 SEEKING QUALIFICATION TO SELL OR OFFER FOR SALE VARIABLE CONTRACTS IN THIS
17 STATE.

18 B. "VARIABLE CONTRACTS" MEANS "VARIABLE LIFE INSURANCE" AND "VARIABLE
19 ANNUITY" AS DEFINED IN SECTIONS 20-2601 AND 20-2631 RESPECTIVELY.

20 20-2642. Agent qualifications; reports

21 A. A PERSON MAY NOT SELL OR OFFER FOR SALE IN THIS STATE ANY VARIABLE
22 CONTRACTS UNLESS THE PERSON IS LICENSED AS A LIFE INSURANCE AGENT BY THE
23 DEPARTMENT AND FILES WITH THE DIRECTOR EVIDENCE THAT THE PERSON IS LICENSED
24 BY THE NATIONAL ASSOCIATION OF SECURITIES DEALERS AS A PRINCIPAL OR A
25 REGISTERED REPRESENTATIVE AND THAT THE PERSON IS AUTHORIZED TO SOLICIT OR
26 SELL VARIABLE CONTRACTS BY AN INSURER ADMITTED TO TRANSACT VARIABLE CONTRACT
27 BUSINESS IN THIS STATE.

28 B. ANY EXAMINATION THAT IS ADMINISTERED BY THE DEPARTMENT TO DETERMINE
29 IF A PERSON IS ELIGIBLE FOR LICENSING AS AN AGENT MAY INCLUDE ANY QUESTIONS
30 THAT THE DIRECTOR DEEMS APPROPRIATE AND THAT CONCERN THE HISTORY, PURPOSE,
31 REGULATION AND SALE OF VARIABLE CONTRACTS.

32 C. ANY PERSON WHO IS QUALIFIED TO SELL OR OFFER TO SELL VARIABLE
33 CONTRACTS UNDER THIS ARTICLE SHALL IMMEDIATELY REPORT TO THE DIRECTOR:

34 1. THE SUSPENSION OR REVOCATION OF THE AGENT'S LICENSE IN ANY OTHER
35 STATE OR TERRITORY OF THE UNITED STATES.

36 2. THE IMPOSITION OF ANY DISCIPLINARY SANCTION, INCLUDING THE
37 SUSPENSION OR EXPULSION OF THE AGENT FROM MEMBERSHIP, OR SUSPENSION,
38 REVOCATION OR DENIAL OF THE AGENT'S REGISTRATION BY ANY NATIONAL SECURITIES
39 EXCHANGE, NATIONAL SECURITIES ASSOCIATION OR FEDERAL, STATE OR TERRITORIAL
40 AGENCY THAT HAS JURISDICTION OVER SECURITIES OR VARIABLE CONTRACTS.

41 3. THE ENTRY OF A JUDGMENT OR INJUNCTION AGAINST THE AGENT FOR CONDUCT
42 INVOLVING FRAUD, DECEIT OR MISREPRESENTATION OR A VIOLATION OF ANY INSURANCE
43 OR SECURITIES LAW.

1 D. THE DIRECTOR MAY REJECT AN APPLICATION OR SUSPEND, REVOKE OR REFUSE
2 TO RENEW AN AGENT'S QUALIFICATION TO SELL OR OFFER TO SELL VARIABLE CONTRACTS
3 ON ANY GROUND THAT WOULD BAR THE APPLICANT OR AGENT FROM BEING LICENSED TO
4 SELL OTHER LIFE INSURANCE CONTRACTS IN THIS STATE. THE RULES THAT APPLY TO
5 A PROCEEDING RELATING TO THE SUSPENSION OR REVOCATION OF AN AGENT'S LICENSE
6 ALSO APPLY TO A PROCEEDING FOR THE SUSPENSION OR REVOCATION OF AN AGENT'S
7 QUALIFICATION TO SELL OR OFFER TO SELL VARIABLE CONTRACTS.

APPROVED BY THE GOVERNOR APRIL 5, 1996

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 8, 1996