

CHAPTER 11

ASSETS AND LIABILITIES

SUBCHAPTER 1

ASSETS

§901. "Assets" defined

(REPEALED)

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 1981, c. 501, §42 (AMD). PL 1991, c. 828, §21 (AMD). PL 2001, c. 72, §6 (RP).

§901-A. Statutory accounting principles; reserves

1. Principles; admitted assets. In evaluating the financial condition of an insurer, the superintendent shall determine which assets may be recognized as admitted assets and shall value the insurer's admitted assets and the insurer's liabilities:

A. In accordance with recognized statutory accounting principles as codified by the National Association of Insurance Commissioners or its successor organization and reflected in the association's accounting practices and procedures manual and valuation of securities manual and their successor publications; and [PL 2001, c. 524, §1 (NEW).]

B. In accordance with any additional accounting practices permitted by the superintendent upon the request of the insurer. [PL 2001, c. 524, §1 (NEW).]
[PL 2001, c. 524, §1 (RPR).]

2. Reserve required. If the superintendent finds, in view of the character of investments held by a domestic insurer, that it would be prudent for the insurer to establish a special reserve for possible losses or fluctuations in the value of its investments, including realty holdings acquired by mortgage loan default, the superintendent may permit or require the insurer to establish such a reserve, reasonable in amount, and may require that the reserve be maintained and reported in any statement or report of the financial condition of the insurer.
[PL 2001, c. 72, §7 (NEW).]

3. Rules. The superintendent may adopt rules to implement the purposes of this section. Rules adopted pursuant to this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter II-A.
[PL 2001, c. 72, §7 (NEW).]

SECTION HISTORY

PL 2001, c. 72, §7 (NEW). PL 2001, c. 524, §1 (AMD).

§902. Assets not allowed

(REPEALED)

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1987, c. 399, §2 (AMD). PL 2001, c. 72, §8 (RP).

SUBCHAPTER 2

LIABILITIES

(REPEALED)

§921. Liabilities, in general

(REPEALED)

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 1977, c. 432, §1 (AMD). PL 2001, c. 72, §9 (RP).

§922. Disallowance of "wash" transactions

(REPEALED)

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 2001, c. 72, §9 (RP).

§923. Unearned premium reserve

(REPEALED)

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 2001, c. 72, §9 (RP).

§924. Unearned premium reserve for marine and transportation insurance

(REPEALED)

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 2001, c. 72, §9 (RP).

§925. Health insurance policy reserves

(REPEALED)

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 124 (AMD). PL 1973, c. 585, §12 (AMD). PL 1979, c. 453, §1 (RPR). PL 1979, c. 663, §§140,141 (AMD). PL 2001, c. 72, §9 (RP).

§926. Title insurance reserves

(REPEALED)

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 2001, c. 72, §9 (RP).

§927. Mortgage guaranty contingency reserve

(REPEALED)

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1969, c. 177, §16 (AMD). PL 1973, c. 585, §12 (AMD). PL 1981, c. 501, §43 (AMD). PL 2001, c. 72, §9 (RP).

SUBCHAPTER 2-A

PROPERTY CASUALTY INSURANCE RESERVES

§941. Definitions

(REPEALED)

SECTION HISTORY

PL 1991, c. 128 (NEW). PL 2007, c. 281, §1 (RP). PL 2007, c. 281, §3 (AFF).

§942. Property and casualty insurance reserves; required annual certifications

(REPEALED)

SECTION HISTORY

PL 1991, c. 128 (NEW). PL 2007, c. 281, §1 (RP). PL 2007, c. 281, §3 (AFF).

§943. Statement of certifying actuary

(REPEALED)

SECTION HISTORY

PL 1991, c. 128 (NEW). PL 2007, c. 281, §1 (RP). PL 2007, c. 281, §3 (AFF).

§944. Exceptions

(REPEALED)

SECTION HISTORY

PL 1991, c. 128 (NEW). PL 1999, c. 113, §22 (RP).

§945. Transition period

(REPEALED)

SECTION HISTORY

PL 1991, c. 128 (NEW). PL 2007, c. 281, §1 (RP). PL 2007, c. 281, §3 (AFF).

§946. Required notice

(REPEALED)

SECTION HISTORY

PL 1991, c. 128 (NEW). PL 2007, c. 281, §1 (RP). PL 2007, c. 281, §3 (AFF).

§947. Rules authorized

(REPEALED)

SECTION HISTORY

PL 1991, c. 128 (NEW). PL 2007, c. 281, §1 (RP). PL 2007, c. 281, §3 (AFF).

SUBCHAPTER 3

LIFE INSURANCE RESERVES

§951. Short title

This subchapter may be known and cited as "the Standard Valuation Law." [PL 2013, c. 238, Pt. C, §1 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1983, c. 346, §1 (AMD). PL 2013, c. 238, Pt. C, §1 (RPR).

§951-A. Definitions

As used in this subchapter, unless the context otherwise indicates, the following terms have the following meanings. [PL 2013, c. 238, Pt. C, §2 (NEW).]

1. Appointed actuary. "Appointed actuary" means the actuary appointed by an insurer pursuant to section 952-A, subsection 1.

[PL 2013, c. 238, Pt. C, §2 (NEW).]

2. NAIC.

[PL 2021, c. 521, §26 (RP).]

3. Operative date. "Operative date," with respect to the initial adoption of the valuation manual, means January 1st of the first calendar year beginning at least 6 months after all of the following events have occurred:

A. The valuation manual has been adopted by the NAIC by an affirmative vote of at least 42 members or 3/4 of the members voting, whichever is greater; [PL 2013, c. 238, Pt. C, §2 (NEW).]

B. The NAIC's model standard valuation law, as amended by the NAIC in 2009, or legislation including substantially similar terms and provisions has been enacted by states representing greater than 75% of the direct premiums written as reported in the following annual statements submitted for 2008: life, accident and health annual statements; health annual statements; or fraternal annual statements; and [PL 2013, c. 238, Pt. C, §2 (NEW).]

C. The NAIC's model standard valuation law, as amended by the NAIC in 2009, or legislation including substantially similar terms and provisions has been enacted by at least 42 of the following 55 jurisdictions: the 50 states of the United States, American Samoa, the District of Columbia, Guam, the Commonwealth of Puerto Rico and the United States Virgin Islands. [PL 2013, c. 238, Pt. C, §2 (NEW).]

[PL 2013, c. 238, Pt. C, §2 (NEW).]

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

[PL 2013, c. 238, Pt. C, §2 (NEW).]

5. Principle-based valuation. "Principle-based valuation" means a reserve valuation that uses one or more methods or one or more assumptions determined by the insurer and is subject to section 960.

[PL 2013, c. 238, Pt. C, §2 (NEW).]

6. Qualified actuary. "Qualified actuary" means an individual who is qualified to sign the applicable statement of actuarial opinion in accordance with the American Academy of Actuaries qualification standards for actuaries signing such statements and who meets all applicable requirements specified in the valuation manual or by rule adopted by the superintendent.

[PL 2013, c. 238, Pt. C, §2 (NEW).]

7. Subject lines of insurance. "Subject lines of insurance" means life insurance, accident and health insurance and deposit-type contracts, as those terms are defined in the valuation manual.

[PL 2013, c. 238, Pt. C, §2 (NEW).]

8. Tail risk. "Tail risk" means a risk for which the frequency of low-probability events is higher than expected under a normal probability distribution or the risk of events of very significant magnitude.

[PL 2013, c. 238, Pt. C, §2 (NEW).]

9. Valuation manual. "Valuation manual" means the manual of valuation instructions adopted by the NAIC as specified in section 959.

[PL 2013, c. 238, Pt. C, §2 (NEW).]

SECTION HISTORY

PL 2013, c. 238, Pt. C, §2 (NEW). PL 2021, c. 521, §26 (AMD).

§952. Calculation of reserve liabilities

1. The superintendent shall annually value, or cause to be valued, the reserve liabilities, hereinafter called reserves, for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurer transacting business in this State in accordance with this subchapter, except that in the case of an alien insurer, such valuation must be limited to its United States business; and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest and methods, net level premium method or other, used in the calculation of such reserves. In calculating such reserves, the superintendent may use group methods and approximate averages for fractions of a year or otherwise. In lieu of the valuation of the reserves required of any foreign or alien insurer, the superintendent may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided. For policies and contracts issued before the operative date of the valuation manual or not addressed by the valuation manual, reserves must be determined according to sections 953 to 958-A. For policies and contracts issued after the operative date of the valuation manual, reserves must be determined according to sections 959 and 960 and as specified by the valuation manual.

[PL 2013, c. 238, Pt. C, §3 (AMD).]

2. Any such insurer which at any time shall have adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the superintendent, adopt any lower standard of valuation, but not lower than the minimum herein provided.

[PL 1969, c. 132, §1 (NEW); PL 1973, c. 585, §12 (AMD).]

3. Beginning on the operative date of the valuation manual, a life or health insurer and a casualty or multiple lines insurer transacting health insurance shall comply with the applicable requirements of this subchapter if the insurer is required to hold a certificate of authority to write one or more subject lines of insurance in this State or if the insurer has written, issued or reinsured contracts of one or more subject lines of insurance in this State and has at least one such policy in force or on claim.

[PL 2013, c. 238, Pt. C, §4 (NEW).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 2013, c. 238, Pt. C, §§3, 4 (AMD).

§952-A. Actuarial opinion of reserves

1. General. An insurer doing business in this State subject to this subchapter shall appoint a qualified actuary, in accordance with any applicable requirements of the valuation manual or rules adopted by the superintendent, and annually submit the opinion of the appointed actuary as to whether the reserves and related actuarial items of that insurer held in support of the policies and contracts specified by the superintendent by rule are computed appropriately, are based on assumptions that satisfy contractual provisions, are consistent with prior reported amounts and comply with applicable laws of this State. Before the operative date of the valuation manual, the superintendent by rule shall define the specifics of the opinion. On and after the operative date of the valuation manual, if the valuation manual has prescribed specific requirements applicable to the opinion, the opinion must

comply with those requirements. The superintendent by rule may add any other items considered necessary to the scope of the opinion.

[PL 2013, c. 238, Pt. C, §5 (AMD).]

2. Actuarial analysis of reserves and assets supporting those reserves. Except as otherwise authorized or required in accordance with rules adopted by the superintendent or applicable provisions of the valuation manual, an insurer subject to this subchapter shall include in the opinion required by subsection 1 an opinion of the appointed actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the superintendent by rule, when considered in light of the assets held by the insurer with respect to the reserves and related actuarial items, including, but not limited to, the investment earnings on the assets and the considerations anticipated to be received and retained under the policies and contracts, adequately provide for the insurer's obligations under the policies and contracts, including, but not limited to, the benefits under and expenses associated with the policies and contracts.

The superintendent may provide by rule for a transition period for establishing any higher reserves that the appointed actuary may consider necessary in the opinion required by this subsection.

[PL 2013, c. 238, Pt. C, §5 (AMD).]

3. Requirement for opinion under subsection 2. An opinion required by subsection 2 is governed by the following provisions.

A. A memorandum, in form and substance acceptable to the superintendent as specified in the valuation manual or by rule, must be prepared to support the actuarial opinion. [PL 2013, c. 238, Pt. C, §5 (AMD).]

B. If the insurer fails to provide a supporting memorandum at the request of the superintendent within a period specified in the valuation manual or by rule or the superintendent determines that the supporting memorandum provided by the insurer fails to meet the prescribed standards or is otherwise unacceptable to the superintendent, the superintendent may engage a qualified actuary at the expense of the insurer to review the opinion and the basis for the opinion and prepare a supporting memorandum as required by the superintendent. [PL 2013, c. 238, Pt. C, §5 (AMD).]
[PL 2013, c. 238, Pt. C, §5 (AMD).]

4. Requirement for all opinions. An opinion required pursuant to subsection 1 or 2 is governed by the following provisions.

A. The opinion must be submitted with the annual statement reflecting the valuation of reserve liabilities for each year ending on or after December 31, 1995. [PL 1993, c. 634, Pt. B, §1 (NEW); PL 1993, c. 634, Pt. B, §4 (AFF).]

B. The opinion must apply to all business in force, including individual and group health insurance plans, in a form and substance acceptable to the superintendent. [PL 2013, c. 238, Pt. C, §5 (AMD).]

B-1. The opinion must comply with the requirements of any applicable rules and, on and after the operative date of the valuation manual, must comply with all applicable requirements of the valuation manual. [PL 2013, c. 238, Pt. C, §5 (NEW).]

C. The opinion must be based on standards adopted by the Actuarial Standards Board or its successor and, to the extent applicable, on any additional standards prescribed by the valuation manual or prescribed by the superintendent by rule. [PL 2013, c. 238, Pt. C, §5 (AMD).]

D. In the case of an opinion required to be submitted by a foreign or alien insurer, the superintendent may accept the opinion filed by that insurer with the insurance supervisory official of another state if the superintendent determines that the opinion reasonably meets the requirements

applicable to an insurer domiciled in this State. [PL 1993, c. 634, Pt. B, §1 (NEW); PL 1993, c. 634, Pt. B, §4 (AFF).]

E. [PL 2013, c. 238, Pt. C, §5 (RP).]

F. Except in cases of fraud or willful misconduct, the appointed actuary is not liable for damages to any person, other than the insurer and the superintendent, for any act, error, omission, decision or conduct with respect to the appointed actuary's opinion. [PL 2013, c. 238, Pt. C, §5 (AMD).]

G. The superintendent may take disciplinary action against the insurer or the appointed actuary pursuant to section 12-A for knowing violations of this section and may establish additional grounds for disciplinary action by rule. [PL 2013, c. 238, Pt. C, §5 (AMD).]

H. [PL 2013, c. 238, Pt. C, §5 (RP).]

I. [PL 2013, c. 238, Pt. C, §5 (RP).]

J. [PL 2013, c. 238, Pt. C, §5 (RP).]

K. [PL 2013, c. 238, Pt. C, §5 (RP).]

L. [PL 2013, c. 238, Pt. C, §5 (RP).]

M. [PL 2013, c. 238, Pt. C, §5 (RP).]

[PL 2013, c. 238, Pt. C, §5 (AMD).]

5. Applicability to health carriers. A health carrier not otherwise subject to this section or section 993 shall file an actuarial opinion in accordance with the applicable National Association of Insurance Commissioners annual statement instructions. For purposes of this section, "health carrier" means an insurer, health maintenance organization, nonprofit corporation subject to Title 24 or fraternal benefit society that provides health insurance or comparable health benefits. This section and rules adopted pursuant to this section apply to health carriers to the extent provided in the valuation manual. Before the operative date of the valuation manual, this section and rules adopted pursuant to this section apply to health carriers to the extent that they specifically refer to health carriers or impose requirements that are consistent with and no more stringent than the annual statement instructions.

[PL 2013, c. 238, Pt. C, §5 (AMD).]

SECTION HISTORY

PL 1993, c. 634, Pt. B, §1 (NEW). PL 1993, c. 634, Pt. B, §4 (AFF). PL 2001, c. 89, §§1, 2 (AMD). PL 2009, c. 511, Pt. B, §1 (AMD). PL 2011, c. 320, Pt. A, §6 (AMD). PL 2013, c. 238, Pt. C, §5 (AMD).

§952-B. Applicability of reserving methodologies

Sections 953 to 958-A do not apply to a policy or contract that is issued on or after the operative date of the valuation manual and is subject to section 959, unless those sections are made applicable by reference in whole or part in the valuation manual. [PL 2013, c. 238, Pt. C, §6 (NEW).]

SECTION HISTORY

PL 2013, c. 238, Pt. C, §6 (NEW).

§953. Minimum standards

1. This subsection applies only to policies and contracts issued prior to January 1, 1948, or such earlier date after July 21, 1945, as shall have been elected by an insurer as the date on and after which it would comply with the standard nonforfeiture law.

Except as otherwise provided in subsection 3, the legal minimum standard of value for such life insurance policies issued on or after the first day of September, 1931, by any life insurer chartered by this State, shall be the American Experience Table of Mortality with interest at 3 1/2% per year. Any

such life insurer may, at its option, value its insurance policies issued on and after such day, in accordance with their terms on the basis of the American Men Ultimate Table of Mortality with interest not higher than 3 1/2% per year by the net level premium method. Reserves for all such policies and contracts may be calculated, at the option of the insurer, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by this subsection.

[PL 1975, c. 342, §1 (AMD).]

2. This subsection applies only to policies and contracts issued on and after January 1, 1948, or the earlier date after July 21, 1945, as shall have been elected by an insurer as the date on and after which it would comply with the standard nonforfeiture law.

Except as otherwise provided in subsection 3 and section 953-A, the minimum standard for the valuation of all those policies and contracts shall be the commissioners reserve valuation method defined in section 954, 3 1/2% interest, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after December 31, 1975, 4% interest, and the following tables, or in the case of these policies and contracts, other than annuity and pure endowment contracts, issued on or after January 1, 1980, 4 1/2% interest, and the following tables.

A. Standard Ordinary Mortality Table. For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in these policies, -- the Commissioners 1941 Standard Ordinary Mortality Table; provided that the Commissioners 1958 Standard Ordinary Mortality Table shall be the table for the minimum standard for those policies issued on and after January 1, 1966, or such earlier date after September 12, 1959, as shall have been elected by an insurer as the date on and after which it would use such table as the basis for minimum cash surrender values and nonforfeiture benefits under the standard nonforfeiture law and prior to the operative date of the Standard Nonforfeiture Law for Life Insurance, section 2532-A; provided that for any category of those policies issued on female risks all modified net premiums and present values referred to in sections 951 to 957 may be calculated according to an age not more than 3 years younger than the actual age of the insured, or in the case of those policies issued on or after January 1, 1980, according to an age not more than 6 years younger than the actual age of the insured. For those policies issued on or after the operative date of the Standard Nonforfeiture Law for Life Insurance, section 2532-A, the Commissioners 1980 Standard Ordinary Mortality Table, or at the election of the company for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors or any ordinary mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for the policies. [PL 1983, c. 346, §2 (AMD).]

B. Standard Industrial Mortality Table. For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in the policies, -- the 1941 Standard Industrial Mortality Table; provided that the Commissioners 1961 Standard Industrial Mortality Table, or any industrial mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for those policies, shall be the table for the minimum standard for those policies issued on and after January 1, 1968, or such earlier date after September 1, 1963, as shall have been elected by the insurer as the date on and after which it would use such table as the basis for minimum cash surrender values and nonforfeiture benefits under the standard nonforfeiture law. [PL 1983, c. 346, §2 (AMD).]

C. Standard Annuity Mortality Table or Annuity Mortality Table. For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in those policies -- the 1937 Standard Annuity Mortality Table or, at the option of the insurer, the Annuity Mortality Table

for 1949, Ultimate, or any modification of either of these tables approved by the superintendent. [PL 1983, c. 346, §2 (AMD).]

D. Group Annuity Mortality Table. For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in those policies -- the Group Annuity Mortality Table for 1951, any modification of the table approved by the superintendent, or, at the option of the insurer, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts. [PL 1983, c. 346, §2 (AMD).]

E. Class (3) Disability Table. For total and permanent disability benefits in or supplementary to ordinary policies or contracts -- for policies or contracts issued on or after January 1, 1966, the tables of Period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 Disability Study of the Society of Actuaries, with due regard to the type of benefit or any tables of disablement rates and termination rates, adopted after 1980 by the National Association of Insurance Commissioners, that are approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for those policies; for policies or contracts issued on or after January 1, 1961 and prior to January 1, 1966, either those tables or, at the option of the insurer, the Class (3) Disability Table (1926); and for policies issued prior to January 1, 1961, the Class (3) Disability Table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies. [PL 1983, c. 346, §2 (AMD).]

F. Inter-Company Double Indemnity Mortality Table. For accidental death benefits in or supplementary to policies -- for policies issued on or after January 1, 1966, the 1959 Accidental Death Benefits Table or any accidental death benefits table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for those policies; for policies issued on or after January 1, 1961 and prior to January 1, 1966, either that table or, at the option of the insurer, the Inter-Company Double Indemnity Mortality Table; and for policies issued prior to January 1, 1961, the Inter-Company Double Indemnity Mortality Table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies. [PL 1983, c. 346, §2 (AMD).]

G. Group Life Insurance Tables. For group life insurance, life insurance issued on the substandard basis and other special benefits -- such table as may be approved by the superintendent. [PL 1983, c. 346, §2 (AMD).]

[PL 1983, c. 346, §2 (AMD).]

3. Except as provided in section 953-A, the minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the effective date of this subsection, as defined herein, and for all annuities and pure endowments purchased on or after the effective date under group annuity and pure endowment contracts, shall be the commissioners reserve valuation method defined in section 954 and the following tables and interest rates.

A. 1971 Individual Annuity Mortality Table. For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in those contracts -- the 1971 Individual Annuity Mortality Table, or any individual annuity mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for those contracts, or any modification of these tables approved by the superintendent, and 6% interest for single premium immediate annuity contracts, and 4% interest for all other individual annuity and pure endowment contracts, or in the case of these contracts issued on or after January 1, 1980, 7 1/2% interest for individual single premium immediate annuity contracts, 5 1/2% interest for

single premium deferred annuity and pure endowment contracts and 4 1/2% interest for all other individual annuity and pure endowment contracts. [PL 1983, c. 346, §2 (AMD).]

B. 1971 Group Annuity Mortality Table. For all annuities and pure endowments purchased under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under those contracts -- the 1971 Group Annuity Mortality Table, or any group annuity mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by regulation promulgated by the superintendent for use in determining the minimum standard of valuation for those annuities and pure endowments, or any modification of these tables approved by the superintendent, and 6% interest, or in the case of annuities and pure endowments purchased under those contracts on or after January 1, 1980, 7 1/2% interest. [PL 1983, c. 346, §2 (AMD).]

This subsection shall not apply to any insurer before January 1, 1979, unless the insurer shall have filed with the superintendent an election to comply with the provisions of this subsection after a specified date before January 1, 1979, provided that an insurer may elect different dates on which this subsection shall apply to individual and pure endowment contracts and to group annuity and pure endowment contracts. If an insurer makes no such election, this subsection shall apply to that insurer on January 1, 1979.

[PL 1983, c. 346, §2 (AMD).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 1975, c. 342, §§1-3 (AMD). PL 1979, c. 453, §§2-4 (AMD). PL 1983, c. 346, §2 (AMD).

§953-A. Applicable interest rates

1. The interest rates used in determining the minimum standard for the valuation of the following shall be the calendar year statutory valuation interest rates, as defined in this section:

A. All life insurance policies issued in a particular calendar year, on or after the operative date of the Standard Nonforfeiture Law for Life Insurance, section 2532-A; [PL 1983, c. 346, §3 (NEW).]

B. All individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1984, or January 1, 1983, at the election of the insurer; [PL 1983, c. 346, §3 (NEW).]

C. All annuities and pure endowments purchased in a particular calendar year on or after January 1, 1984, or January 1, 1983, at the election of the insurer, under group annuity and pure endowment contracts; and [PL 1983, c. 346, §3 (NEW).]

D. The net increase, if any, in a particular calendar year after January 1, 1984, or January 1, 1983, at the election of the insurer, in amounts held under guaranteed interest contracts. [PL 1983, c. 346, §3 (NEW).]

An insurer electing January 1, 1983, in lieu of January 1, 1984, in paragraph B, C or D, shall notify the superintendent of its election by written notice no later than December 31, 1983.

[PL 1983, c. 346, §3 (NEW).]

2. The calendar year statutory valuation interest rates, I, shall be determined as follows and the results rounded to the nearest 1/4 of 1%:

A. For life insurance:

$$I = .03 + W (R_1 -.03) + W (R_2 -.09)$$

2 [PL 1983, c. 346, §3 (NEW).]

B. For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options:

$$I = .03 + W(R - .03) \text{ [PL 1983, c. 346, §3 (NEW).]}$$

where R_1 is the lesser of R and $.09$,

R_2 is the greater of R and $.09$,

R is the reference interest rate defined in this section, and W is the weighting factor defined in this section; [PL 1983, c. 346, §3 (NEW).]

C. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis, except as stated in paragraph B, the formula for life insurance stated in paragraph A shall apply to annuities and guaranteed interest contracts with guarantee durations in excess of 10 years, and the formula for single premium immediate annuities stated in paragraph B shall apply to annuities and guaranteed interest contracts with guarantee duration of 10 years or less; [PL 1983, c. 346, §3 (NEW).]

D. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the formula for single premium annuities stated in paragraph B shall apply; and [PL 1983, c. 346, §3 (NEW).]

E. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, the formula for single premium immediate annuities stated in paragraph B shall apply. [PL 1983, c. 346, §3 (NEW).]

If the calendar year statutory valuation interest rate for any life insurance policies issued in any calendar year, determined without reference to this sentence, differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than 1/2 of 1%, the calendar year statutory valuation interest rate for those life insurance policies shall be equal to the corresponding actual rate for the immediately preceding calendar year. For purposes of applying the immediately preceding sentence, the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year shall be determined for 1980, by using the reference interest rate defined for 1979, and shall be determined for each subsequent calendar year, regardless of when the Standard Nonforfeiture Law for Life Insurance, section 2532-A, becomes operative.

[PL 1983, c. 346, §3 (NEW).]

3. The weighting factors in the formulas in subsection 2 are given in the following tables:

A. Weighting Factors for Life Insurance:

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

For life insurance, the guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in policy or under options to convert to plans of life insurance with premium rates or nonforfeiture values or both which are guaranteed in the original policy; [PL 1983, c. 346, §3 (NEW).]

B. Weighting factor for single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options: .80; [PL 1983, c. 346, §3 (NEW).]

C. Weighting factors for other annuities and for guaranteed interest contracts, except as stated in paragraph B, shall be as specified in subparagraphs (1), (2) and (3), according to the rules and definitions in subparagraphs (4), (5) and (6):

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

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

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

Plan Type		
A	B	C
.15.25	.05;	

(3) For annuities and guaranteed interest contracts valued on an issue year basis, other than those with no cash settlement options, which do not guarantee interest on considerations received more than one year after issue or purchase and for annuities and guaranteed interest contracts valued on a change in fund basis which do not guarantee interest rates on considerations received more than 12 months beyond the valuation date, the factors shown in subparagraph (1) or derived in subparagraph (2) increased by:

Plan Type		
A	B	C
.05	.05	.05;

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

(5) Plan type as used in the subparagraphs (1), (2) and (3) tables is defined as follows.

(a) Plan Type A. At any time policyholder may withdraw funds, only: With an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company; without that adjustment, but in installments over 5 years or more; as an immediate life annuity; or no withdrawal permitted.

(b) Plan Type B. Before expiration of the interest rate guarantee, policyholder may withdraw funds, only: With an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company; without that adjustment, but in installments over 5 years or more; or no withdrawal permitted. At the end of interest rate guarantee, funds may be withdrawn without that adjustment in a single sum or installments over less than 5 years.

(c) Plan Type C. Policyholder may withdraw funds before expiration of interest rate guarantee in a single sum or installments over less than 5 years, either: Without adjustment

to reflect changes in interest rates or asset values since receipt of the funds by the insurance company; or subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund; and

(6) A company may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue year basis or on a change in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue year basis. As used in this section, an issue year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract, and the change in fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund. [PL 1983, c. 346, §3 (NEW).]

[PL 1983, c. 346, §3 (NEW).]

4. The reference interest rate referred to in subsection 2 is defined as follows:

A. For all life insurance, the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30th of the calendar year next preceding the year of issue, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.; [PL 1983, c. 346, §3 (NEW).]

B. For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the average over a period of 12 months, ending on June 30th of the calendar year of issue or year of purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.; [PL 1983, c. 346, §3 (NEW).]

C. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year of issue basis, except as stated in paragraph B, with guarantee duration in excess of 10 years, the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30th of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.; [PL 1983, c. 346, §3 (NEW).]

D. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year of issue basis, except as stated in paragraph B, with guarantee duration of 10 years or less, the average over a period of 12 months, ending on June 30th of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.; [PL 1983, c. 346, §3 (NEW).]

E. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the average over a period of 12 months, ending on June 30th of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.; and [PL 1983, c. 346, §3 (NEW).]

F. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, except as stated in paragraph B, the average over a period of 12 months, ending on June 30th of the calendar year of the change in the fund, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. [PL 1983, c. 346, §3 (NEW).]

[PL 1983, c. 346, §3 (NEW).]

5. In the event that Moody's Corporate Bond Yield Average-Monthly Average Corporates is no longer published by Moody's Investors Service, Inc., or in the event that the National Association of Insurance Commissioners determines that Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc. is no longer appropriate for the determination of the reference interest rate, then an alternative method for determination of the reference interest rate, which is adopted by the National Association of Insurance Commissioners and approved by regulation promulgated by the superintendent, may be substituted.

[PL 1983, c. 346, §3 (NEW).]

SECTION HISTORY

PL 1983, c. 346, §3 (NEW).

§954. Commissioners reserve valuation method defined

1. Policies providing for uniform insurance and uniform premiums. Except as otherwise provided in subsection 2 and section 957, reserves according to the commissioners reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums, shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of paragraph A over paragraph B as follows:

A. A net level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per year payable on the first and each subsequent anniversary of such policy on which a premium falls due. Such net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such policy; [PL 1979, c. 453, §5 (NEW).]

B. A net one-year term premium for those benefits provided in the first policy year. [PL 1983, c. 346, §4 (AMD).]

[PL 1983, c. 346, §4 (AMD).]

1-A. Reserve. For any life insurance policy issued on or after January 1, 1987, for which the contract premium in the first policy year exceeds that of the 2nd year and for which no comparable additional benefit is provided in the first year for that excess and which provides an endowment benefit or a cash surrender value, or a combination thereof, in an amount greater than that excess premium, the reserve according to the commissioners reserve valuation method as of any policy anniversary occurring on or before the assumed ending date, defined in this subsection as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than that excess premium, shall, except as otherwise provided in section 957, be the greater of the reserve as of that policy anniversary calculated as described in subsection 1 and the reserve as of that policy anniversary calculated as described in subsection 1, but with the value defined in subsection 1, paragraph A, being reduced by 15% of the amount of that excess first year premium, all present values of benefits and premiums being determined without reference to premiums or benefits provided for by the policy after the assumed ending date, the policy being assumed to mature on that date as an endowment, and the cash surrender value provided on that date being considered as an endowment benefit. In making this comparison, the mortality and interest bases stated in sections 953 and 953-A shall be used.

Reserves according to the commissioners reserve valuation method for:

- A. Life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums; [PL 1983, c. 346, §5 (NEW).]
- B. Group annuity and pure endowment contracts, purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under the United States Internal Revenue Code, Section 408, as now or hereafter amended; [PL 1983, c. 346, §5 (NEW).]
- C. Disability and accidental death benefits in all policies and contracts; and [PL 1983, c. 346, §5 (NEW).]
- D. All other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts, [PL 1983, c. 346, §5 (NEW).]

shall be calculated by a method consistent with the principles of the preceding provisions of this section, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

[PL 1983, c. 346, §5 (NEW).]

2. Annuity and pure endowment contracts. This subsection shall apply to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under the United States Internal Revenue Code, Section 408, as now or hereafter amended.

Reserves according to the commissioners annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability or accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of such contract, that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate, or rates, specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.

[PL 1979, c. 453, §5 (RPR).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1979, c. 453, §5 (RPR). PL 1983, c. 346, §§4,5 (AMD).

§955. Minimum reserves

1. Minimum aggregate reserves for life insurance policies. An insurer's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, that are subject to section 953, subsection 2 may not be less than the aggregate reserves calculated in accordance with the method set forth in sections 954 and 957-A and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for these policies.

[PL 1993, c. 634, Pt. B, §2 (NEW).]

2. Minimum aggregate reserves for all policies. The aggregate reserves for all policies, contracts and benefits may not be less than the aggregate reserves determined necessary by the appointed actuary in the opinion required by section 952-A.

[PL 2013, c. 238, Pt. C, §7 (AMD).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1983, c. 346, §6 (AMD). PL 1993, c. 634, Pt. B, §2 (RPR). PL 2013, c. 238, Pt. C, §7 (AMD).

§956. Optional reserve calculation

1. Reserve calculation. Reserves for any category of policies, contracts or benefits as established by the superintendent that are subject to section 953, subsection 2, may be calculated at the option of the insurer according to any standards that produce greater aggregate reserves for that category than those calculated according to the minimum standard provided in section 955, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, may not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided.

[PL 1993, c. 634, Pt. B, §3 (NEW).]

2. Lower standard of valuation. Any insurer that adopts any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard provided in section 955 may adopt, with the approval of the superintendent, any lower standards of valuation, but not lower than the minimum required, except that for the purposes of this section the holding of additional reserves previously determined necessary by the appointed actuary in the opinion required by section 952-A may not be determined to be the adoption of a higher standard of valuation.

[PL 2013, c. 238, Pt. C, §8 (AMD).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 1979, c. 453, §6 (AMD). PL 1993, c. 634, Pt. B, §3 (RPR). PL 2013, c. 238, Pt. C, §8 (AMD).

§957. Deficiency reserve

If the gross premium charged by any life insurer on any policy or contract which is subject to section 953, subsection 2, is less than the valuation net premium for the policy or contract calculated by the method used in calculating the reserve thereon, but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for that policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest and method actually used for that policy or contract, or the reserve calculated by the method actually used for that policy or contract, but using the minimum valuation standards of mortality and rate of interest and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium. The minimum valuation standards of mortality and rate of interest referred to in this section are those standards stated in sections 953 and 953-A. [PL 1983, c. 346, §7 (AMD).]

For any life insurance policy issued on or after January 1, 1987, for which the gross premium in the first policy year exceeds that of the 2nd year and for which no comparable additional benefit is provided in the first year for that excess and that provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than that excess premium, the foregoing provisions of this section must be applied as if the method actually used in calculating the reserve for that policy were the method described in section 954, ignoring the 2nd paragraph of section 954. The minimum reserve at each policy anniversary of such a policy is the greater of the minimum reserve calculated in accordance with section 954, including the 2nd paragraph of that section, and the minimum reserve calculated in accordance with this section. [PL 2011, c. 420, Pt. A, §22 (AMD).]

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1979, c. 453, §7 (RPR). PL 1983, c. 346, §7 (AMD). PL 2011, c. 420, Pt. A, §22 (AMD).

§957-A. Superintendent's authority to approve certain plans

1. In the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurance company based on then estimates of future experience, or in the case of any plan of life insurance or annuity which is of such a nature that the minimum reserves cannot be determined by the methods described in sections 954 and 957, the reserves which are held under any plan of that type must:

A. Be appropriate in relation to the benefits and the pattern of premiums for that plan; and [PL 1983, c. 346, §8 (NEW).]

B. Be computed by a method which is consistent with the principles of this Standard Valuation Law, [PL 1983, c. 346, §8 (NEW).]

as determined by regulations promulgated by the superintendent.

[PL 1983, c. 346, §8 (NEW).]

SECTION HISTORY

PL 1983, c. 346, §8 (NEW).

§958. Interest rates

All changes in the interest rates specified in this subchapter and in sections 2528 to 2534, which were made by the Amendatory Acts of 1979, shall become ineffective as to contracts or policies issued on or after November 1, 1987, unless expressly extended by law. [PL 1979, c. 453, §8 (NEW).]

SECTION HISTORY

PL 1979, c. 453, §8 (NEW).

§958-A. Interest rates extended

Notwithstanding section 958, the changes in the interest rates for life insurance specified in this subchapter and in sections 2528 to 2534, which were made by the Amendatory Acts of 1979, shall continue to apply to life insurance policies issued on or after January 1, 1980 and prior to the operative date of the Standard Nonforfeiture Law for Life Insurance, section 2532-A. [PL 1983, c. 346, §9 (NEW).]

SECTION HISTORY

PL 1983, c. 346, §9 (NEW).

§959. Reserves subject to valuation manual

1. **General requirement.** On and after the operative date of the valuation manual, reserves on policies and contracts of subject lines of insurance must be valued as follows, except as otherwise specifically provided in this section or in rules adopted by the superintendent:

A. For policies and contracts issued on and after the operative date of the valuation manual, in accordance with the valuation manual; [PL 2013, c. 238, Pt. C, §9 (NEW).]

B. For policies and contracts described in sections 953 to 958-A and issued before the operative date of the valuation manual, in accordance with those sections; and [PL 2013, c. 238, Pt. C, §9 (NEW).]

C. For health insurance policies and contracts issued before the operative date of the valuation manual, and any other policies and contracts outside the scope of paragraphs A and B, in accordance with rules adopted by the superintendent. [PL 2013, c. 238, Pt. C, §9 (NEW).]

[PL 2013, c. 238, Pt. C, §9 (NEW).]

2. Necessary provisions. The valuation manual must specify all of the following:

- A. Definitions of the policies and contracts subject to this section; [PL 2013, c. 238, Pt. C, §9 (NEW).]
- B. The following minimum valuation standards for all policies and contracts subject to this section:
 - (1) The commissioners reserve valuation method for life insurance contracts, other than annuity contracts;
 - (2) The commissioners annuity reserve valuation method for annuity contracts; and
 - (3) Minimum reserves for all other policies or contracts; [PL 2013, c. 238, Pt. C, §9 (NEW).]
- C. Provisions specifying which policies and contracts or types of policies and contracts are subject to section 960 and specifying the minimum valuation standards consistent with those provisions; [PL 2013, c. 238, Pt. C, §9 (NEW).]
- D. For policies and contracts subject to section 960:
 - (1) Requirements for the format of reports to the superintendent under section 960, subsection 3, paragraph C, which must include information necessary to determine whether the valuation is appropriate and in compliance with this subchapter;
 - (2) Assumptions to be prescribed for risks over which the insurer does not have significant control or influence; and
 - (3) Procedures for corporate governance and oversight of the actuarial function and a process for appropriate waiver or modification of such procedures; [PL 2013, c. 238, Pt. C, §9 (NEW).]
- E. For policies and contracts not subject to section 960, a minimum valuation standard that either:
 - (1) Is consistent with the minimum standard of valuation for policies and contracts issued before the operative date of the valuation manual; or
 - (2) Develops reserves that quantify the benefits and guarantees, and the funding, associated with the policies and contracts and their risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring; [PL 2013, c. 238, Pt. C, §9 (NEW).]
- F. Other requirements, including, but not limited to, those relating to reserve methods, models for measuring risk, generation of economic scenarios, assumptions, margins, use of insurer experience, risk measurement, disclosure, certifications, reports, actuarial opinions and memoranda, transition rules and internal controls; and [PL 2013, c. 238, Pt. C, §9 (NEW).]
- G. The data and form of the data required under section 961. The requirements must specify to whom the data must be submitted and may specify other requirements, including requirements with respect to data analyses and reporting of analyses. [PL 2013, c. 238, Pt. C, §9 (NEW).]
[PL 2013, c. 238, Pt. C, §9 (NEW).]

3. Supplementation and resolution of conflicts. In the absence of a specific valuation requirement or if the superintendent determines that a specific valuation requirement in the valuation manual is not consistent with the requirements or purposes of this subchapter, an insurer shall comply with minimum valuation standards prescribed by the superintendent by rule or order.
[PL 2013, c. 238, Pt. C, §9 (NEW).]

4. Examination. For an insurer subject to this section, the superintendent may hire, contract with or otherwise engage a qualified actuary, at the insurer's expense, to perform an actuarial examination of the insurer and provide an opinion on the appropriateness of any reserve assumption or method used by the insurer or to review and provide an opinion on the insurer's compliance with any requirement of

this subchapter. The superintendent may rely on any actuarial opinion issued on behalf of another insurance regulator in the United States that is relevant to an insurer's compliance with this subchapter. [PL 2013, c. 238, Pt. C, §9 (NEW).]

5. Corrections. The superintendent may require an insurer to change any assumption or method as determined necessary by the superintendent to comply with the requirements of the valuation manual or this subchapter, and the insurer shall adjust the reserves as required by the superintendent. [PL 2013, c. 238, Pt. C, §9 (NEW).]

6. Violations. Violations of this subchapter are subject to all remedies specified in section 12-A or otherwise available by law. [PL 2013, c. 238, Pt. C, §9 (NEW).]

7. Changes to valuation manual. Unless a later effective date is specified or the superintendent has disapproved the change by rule, a change to the valuation manual is effective on January 1st following the adoption of the change by an affirmative vote of the NAIC representing:

- A. At least 3/4 of the NAIC members voting; [PL 2013, c. 238, Pt. C, §9 (NEW).]
- B. At least a majority of the total NAIC membership; and [PL 2013, c. 238, Pt. C, §9 (NEW).]
- C. Jurisdictions totaling greater than 75% of the aggregate written direct premiums reported in the most recently available life, accident and health annual statements; health annual statements; and fraternal annual statements. [PL 2013, c. 238, Pt. C, §9 (NEW).]

[PL 2013, c. 238, Pt. C, §9 (NEW).]

SECTION HISTORY

PL 2013, c. 238, Pt. C, §9 (NEW).

§960. Requirements for principle-based reserves

1. Scope. This section applies to all policies and contracts for which principle-based reserving is required by the valuation manual, unless exempted by the superintendent in accordance with the following standards:

- A. An exemption under this subsection may not be granted unless the insurer is licensed and doing business exclusively in this State; [PL 2013, c. 238, Pt. C, §9 (NEW).]
- B. The exemption must be in writing; [PL 2013, c. 238, Pt. C, §9 (NEW).]
- C. The superintendent may rescind or modify the exemption in writing at any time, with reasonable notice to the insurer; [PL 2013, c. 238, Pt. C, §9 (NEW).]
- D. The exemption may apply to all business written by the insurer or to specific policy or contract forms or product lines; and [PL 2013, c. 238, Pt. C, §9 (NEW).]
- E. An insurer granted an exemption under this subsection shall value its reserves using the assumptions and methods used before the operative date of the valuation manual, in addition to any requirements established by the superintendent by rule or by the terms of the order granting the exemption. [PL 2013, c. 238, Pt. C, §9 (NEW).]

[PL 2013, c. 238, Pt. C, §9 (NEW).]

2. Standards. An insurer shall establish reserves for policies and contracts subject to this section using a valuation methodology that meets all applicable requirements of the valuation manual and that:

- A. Quantifies the benefits and guarantees, and the funding, associated with the policies and contracts and their risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring during the lifetime of the policies and contracts. For policies and contracts with significant tail risk, the methodology must reflect conditions appropriately adverse to quantify the tail risk; [PL 2013, c. 238, Pt. C, §9 (NEW).]

B. Incorporates assumptions, risk analysis methods and financial models and management techniques that are consistent with, but not necessarily identical to, those used within the insurer's overall risk assessment process, while recognizing potential differences in financial reporting structures and any prescribed assumptions or methods; [PL 2013, c. 238, Pt. C, §9 (NEW).]

C. Incorporates assumptions that are derived in one of the following manners:

- (1) The assumption is prescribed in the valuation manual; or
- (2) For assumptions that are not prescribed in the valuation manual, the assumptions are:
 - (a) Established using the insurer's available experience, to the extent that it is relevant and statistically credible; or
 - (b) To the extent that insurer-specific data is not available, relevant or statistically credible, established using other relevant, statistically credible experience; and [PL 2013, c. 238, Pt. C, §9 (NEW).]

D. Provides margins for uncertainty including adverse deviation and estimation error, such that the greater the uncertainty the larger the margin and resulting reserve. [PL 2013, c. 238, Pt. C, §9 (NEW).]

[PL 2013, c. 238, Pt. C, §9 (NEW).]

3. Oversight and controls. An insurer using a principle-based valuation for one or more policies or contracts subject to this section as specified in the valuation manual shall:

A. Establish procedures for corporate governance and oversight of the actuarial valuation function consistent with those described in the valuation manual; [PL 2013, c. 238, Pt. C, §9 (NEW).]

B. Provide to the superintendent and the insurer's board of directors an annual certification of the effectiveness of the internal controls with respect to the principle-based valuation. Such controls must be designed to ensure that all material risks inherent in the liabilities and associated assets subject to principle-based valuation are included in the valuation and that valuations are made in accordance with the valuation manual. The certification must be based on the controls in place as of the end of the preceding calendar year; and [PL 2013, c. 238, Pt. C, §9 (NEW).]

C. Develop, and file with the superintendent upon request, a principle-based valuation report that complies with standards prescribed in the valuation manual. [PL 2013, c. 238, Pt. C, §9 (NEW).]
[PL 2013, c. 238, Pt. C, §9 (NEW).]

4. Formulaic components. A principle-based valuation may include a formulaic reserve component and must do so when prescribed by the valuation manual or required by the superintendent. [PL 2013, c. 238, Pt. C, §9 (NEW).]

5. Applicability of rules. Rules adopted by the superintendent pursuant to this subchapter before January 1, 2014 do not apply to policies, contracts or actuarial opinions issued on or after the operative date of the valuation manual unless expressly made applicable by rule or order of the superintendent. [PL 2013, c. 238, Pt. C, §9 (NEW).]

SECTION HISTORY

PL 2013, c. 238, Pt. C, §9 (NEW).

§961. Experience reporting

For all policies and contracts in force on or after the operative date of the valuation manual, an insurer shall submit mortality, morbidity, policyholder behavior and expense experience data, as applicable, and other data as prescribed in the valuation manual. [PL 2013, c. 238, Pt. C, §9 (NEW).]

SECTION HISTORY

PL 2013, c. 238, Pt. C, §9 (NEW).

§962. Confidentiality

1. Information subject to this section. For purposes of this section, "protected valuation information" means:

A. A memorandum in support of an opinion submitted under section 952-A and any other documents, materials and other information, including, but not limited to, all working papers, and copies thereof, created, produced or obtained by or disclosed to the superintendent or any other person in connection with the memorandum; [PL 2013, c. 238, Pt. C, §9 (NEW).]

B. All documents, materials and other information, including, but not limited to, all working papers, and copies thereof, created, produced or obtained by or disclosed to the superintendent or any other person in the course of an examination made under section 959, subsection 4 that would be confidential under section 225, subsection 3 if they had been prepared or obtained under section 221; [PL 2013, c. 238, Pt. C, §9 (NEW).]

C. Any reports, documents, materials and other information developed by an insurer in support of, or in connection with, an annual certification of internal controls under section 960, subsection 3, paragraph B and any other documents, materials and other information, including, but not limited to, all working papers, and copies thereof, created, produced or obtained by or disclosed to the superintendent or any other person in connection with such reports, documents, materials and other information; [PL 2013, c. 238, Pt. C, §9 (NEW).]

D. Any principle-based valuation report developed under section 960, subsection 3, paragraph C and any other documents, materials and other information, including, but not limited to, all working papers, and copies thereof, created, produced or obtained by or disclosed to the superintendent or any other person in connection with such a report; [PL 2013, c. 238, Pt. C, §9 (NEW).]

E. Any documents, materials, data and other information submitted by an insurer under section 961, referred to in this paragraph as "experience data," and any other documents, materials, data and other information, including, but not limited to, all working papers, and copies thereof, created or produced in connection with such experience data that include any potentially insurer-identifying or personally identifiable information and that are provided to or obtained by the superintendent or any other person and any other documents, materials, data and other information, including, but not limited to, all working papers, and copies thereof, created, produced or obtained by or disclosed to the superintendent or any other person in connection with such experience data and materials; and [PL 2013, c. 238, Pt. C, §9 (NEW).]

F. Any information received by the superintendent from the Actuarial Board for Counseling and Discipline or its successor related to a memorandum or report described in paragraph A or D, if the information has been provided with notice or the understanding that it is confidential or privileged under applicable law. [PL 2013, c. 238, Pt. C, §9 (NEW).]

[PL 2013, c. 238, Pt. C, §9 (NEW).]

2. Confidentiality of information subject to this section. Except as provided in this subsection, all protected valuation information is confidential, must be kept confidential by the superintendent, is not a public record and is not subject to subpoena or discovery or admissible in evidence in any private civil action. The superintendent may use the documents, materials or other information in the furtherance of any regulatory or legal action brought as a part of the superintendent's official duties, including sharing the information on a confidential basis under section 216, subsection 5.

A. Neither the superintendent nor any person who receives documents, materials or other information while acting under the authority of the superintendent is permitted or required to testify in any private civil action concerning any protected valuation information. [PL 2013, c. 238, Pt. C, §9 (NEW).]

B. Disclosure to the superintendent under this section or as a result of sharing of documents, materials or other information pursuant to section 216 does not constitute a waiver of any applicable privilege or claim of confidentiality with regard to the documents, materials or other information. [PL 2013, c. 238, Pt. C, §9 (NEW).]

C. The superintendent may share protected valuation information described in subsection 1, paragraphs A and D with the Actuarial Board for Counseling and Discipline or its successor upon a request stating that the information is required for the purpose of professional disciplinary proceedings and that the disciplinary entity agrees, and has the legal authority to agree, to maintain the confidentiality and privileged status of the information in the same manner and to the same extent as required for the superintendent. The superintendent may request and receive confidential information described in subsection 1, paragraph F from the Actuarial Board for Counseling and Discipline or its successor. The superintendent may enter into information-sharing agreements to facilitate the exchange of information under this paragraph. [PL 2013, c. 238, Pt. C, §9 (NEW).]

D. For protected valuation information described in subsection 1, paragraphs A and D, the confidentiality provided by this subsection may be limited or terminated as follows:

- (1) The information may be subject to subpoena for the purpose of defending an action seeking damages from the appointed actuary submitting the actuarial memorandum or principle-based valuation report;
- (2) The information may be released with the written consent of the insurer; and
- (3) If any portion of an actuarial memorandum or principle-based valuation report is cited by the insurer in its marketing or is publicly volunteered by the insurer before a governmental agency other than a state insurance agency or is released by the insurer to the news media, all portions of the memorandum or report become public records. [PL 2013, c. 238, Pt. C, §9 (NEW).]

[PL 2013, c. 238, Pt. C, §9 (NEW).]

SECTION HISTORY

PL 2013, c. 238, Pt. C, §9 (NEW).

SUBCHAPTER 4

VALUATION OF ASSETS

(REPEALED)

§981. Valuation of bonds

(REPEALED)

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 1991, c. 828, §22 (AMD). PL 1993, c. 313, §19 (AMD). PL 2001, c. 72, §10 (RP).

§982. Valuation of other securities

(REPEALED)

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1971, c. 622, §§78-A (AMD). PL 1973, c. 585, §12 (AMD). PL 1977, c. 432, §2 (AMD). PL 1993, c. 313, §20 (AMD). PL 2001, c. 72, §10 (RP).

§983. Valuation of property**(REPEALED)**

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 1973, c. 585, §12 (AMD). PL 2001, c. 72, §10 (RP).

§984. Valuation of purchase money mortgages**(REPEALED)**

SECTION HISTORY

PL 1969, c. 132, §1 (NEW). PL 2001, c. 72, §10 (RP).

SUBCHAPTER 5**PROPERTY AND CASUALTY ACTUARIAL OPINION****§991. Short title**

This Act may be known and cited as "the Property and Casualty Actuarial Opinion Act." [PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

SECTION HISTORY

PL 2007, c. 281, §2 (NEW). PL 2007, c. 281, §3 (AFF).

§992. Definitions

As used in this subchapter, unless the context otherwise indicates, the following terms have the following meanings. [PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

1. Covered kinds of insurance. "Covered kinds of insurance" means property insurance as defined in section 705 and casualty insurance as defined in section 707 and does not include health insurance as defined in section 704, unless required by the applicable NAIC annual statement instructions to be included in the property and casualty actuarial opinion of a casualty insurer or multiple lines insurer, or property insurance written by domestic mutual assessment insurers pursuant to chapter 51.

A. [PL 2013, c. 238, Pt. C, §10 (RP).]

B. [PL 2013, c. 238, Pt. C, §10 (RP).]

[PL 2013, c. 238, Pt. C, §10 (RPR).]

2. NAIC.

[PL 2021, c. 521, §27 (RP).]

3. Qualified actuary. "Qualified actuary" means a person who is a member of the American Academy of Actuaries who has obtained a designation either as a fellow or an associate in the Casualty Actuarial Society and, if an associate, has at least 5 years' experience in actuarial practice obtained in the covered kinds of insurance.

[PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

SECTION HISTORY

PL 2007, c. 281, §2 (NEW). PL 2007, c. 281, §3 (AFF). PL 2013, c. 238, Pt. C, §10 (AMD). PL 2021, c. 521, §27 (AMD).

§993. Actuarial opinion of reserves and supporting documentation

1. Statement of actuarial opinion. Every property and casualty insurance company doing business for covered kinds of insurance in this State, unless otherwise exempted by the domiciliary commissioner, shall annually submit the opinion of an appointed qualified actuary entitled “Statement of Actuarial Opinion.” This opinion must be filed in accordance with the appropriate NAIC property and casualty annual statement instructions.

[PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

2. Actuarial opinion summary. An actuarial opinion summary is required pursuant to this subsection.

A. Every property and casualty insurance company domiciled in this State that is required to submit a statement of actuarial opinion shall annually submit an actuarial opinion summary, written by the company’s appointed qualified actuary. This actuarial opinion summary must be filed in accordance with the appropriate NAIC property and casualty annual statement instructions and must be considered as a document supporting the actuarial opinion required in subsection 1. [PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

B. A property and casualty insurance company licensed but not domiciled in this State shall provide an actuarial opinion summary upon request of the superintendent. [PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

[PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

3. Actuarial report and work papers. An actuarial report is required pursuant to this subsection.

A. An actuarial report and underlying work papers as required by the appropriate NAIC property and casualty annual statement instructions must be prepared to support each actuarial opinion. [PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

B. If a property and casualty insurance company fails to provide a supporting actuarial report or work papers at the request of the superintendent or the superintendent determines that the supporting actuarial report or work papers provided by the company are otherwise unacceptable to the superintendent, the superintendent may engage a qualified actuary at the expense of the company to review the opinion and the basis for the opinion and prepare the supporting actuarial report or work papers. [PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

[PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

4. Liability. The appointed qualified actuary is not liable for damages to any person, other than the property and casualty insurance company and the superintendent, for any act, error, omission, decision or conduct with respect to the actuary's opinion, except in cases of fraud, willful misconduct or reckless disregard on the part of the actuary.

[PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

SECTION HISTORY

PL 2007, c. 281, §2 (NEW). PL 2007, c. 281, §3 (AFF).

§994. Confidentiality

1. Statement of actuarial opinion. The statement of actuarial opinion under section 993, subsection 1 must be provided with the annual statement under section 423 in accordance with the appropriate NAIC property and casualty annual statement instructions and is a public record subject to disclosure pursuant to Title 1, chapter 13.

[PL 2009, c. 511, Pt. B, §2 (AMD).]

2. Documents in possession of bureau. The confidentiality of documents in the possession of the bureau is governed by this subsection.

A. Documents, materials or other information in the possession or control of the bureau that are considered an actuarial report, work papers or actuarial opinion summary provided in support of

the opinion, as described in section 993, and any other material provided by the property and casualty insurance company to the superintendent in connection with the actuarial report, work papers or actuarial opinion summary are confidential and not subject to disclosure pursuant to Title 1, chapter 13. [PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

B. This subsection may not be construed to limit the superintendent's authority to release documents to the Actuarial Board for Counseling and Discipline or successor organization as long as the material is required for the purpose of professional disciplinary proceedings and the Actuarial Board for Counseling and Discipline establishes procedures satisfactory to the superintendent for preserving the confidentiality of the documents. This section may not be construed to limit the superintendent's authority to use the documents, materials or other information in furtherance of any regulatory or legal action brought as part of the superintendent's official duties. [PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

[PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

3. Testimony. Neither the superintendent nor any person who received documents, materials or other information while acting under the authority of the superintendent is permitted or required to testify in any private civil action concerning any confidential documents, materials or information subject to subsection 2.

[PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

4. Sharing of documents. In order to assist in the performance of the superintendent's duties, the superintendent may:

A. Share documents, materials or other information, including confidential and privileged documents, materials or information subject to subsection 2, with other state, federal and international regulatory agencies, with the NAIC and its affiliates and subsidiaries and with state, federal and international law enforcement authorities, as long as the recipient agrees to maintain the confidentiality of the document, material or other information and has the legal authority to maintain confidentiality; [PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

B. Receive documents, materials or information, including otherwise confidential and privileged documents, materials or information, from the NAIC and its affiliates and subsidiaries and from regulatory and law enforcement officials of other foreign or domestic jurisdictions. The superintendent shall maintain as confidential any document, material or information received with notice or the understanding that it is confidential under the laws of the jurisdiction that is the source of the document, material or information; and [PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

C. Enter into agreements governing sharing and use of information consistent with this subsection and subsections 2 and 3. [PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

[PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

5. Waiver. No waiver of a claim of confidentiality in the documents, materials or information may occur as a result of disclosure to the superintendent under this section or as a result of sharing as authorized in subsection 4.

[PL 2007, c. 281, §2 (NEW); PL 2007, c. 281, §3 (AFF).]

SECTION HISTORY

PL 2007, c. 281, §2 (NEW). PL 2007, c. 281, §3 (AFF). PL 2009, c. 511, Pt. B, §2 (AMD).

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