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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3384

03/21/2016 Authored by Hoppe, Atkins, Davids and Garofalo
The bill was read for the first time and referred to the Committee on Commerce and Regulatory Reform

1.1 A bill for an act
1.2 relating to insurance; making changes to the life insurance reserves; amending
1.3 Minnesota Statutes 2014, sections 61A.24, subdivision 12, by adding a
1.4 subdivision; 61A.25.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2014, section 61A.24, is amended by adding a
1.7 subdivision to read:

1.8 Subd. 1a. **Definitions.** "Operative date of the valuation manual" means January 1 of
1.9 the first calendar year that the valuation manual, as defined in section 61A.25, subdivision
1.10 1a, is effective.

1.11 Sec. 2. Minnesota Statutes 2014, section 61A.24, subdivision 12, is amended to read:

1.12 **Subd. 12. Calculation of adjusted premiums by the nonforfeiture net level**
1.13 **premium method.** (a) This subdivision applies to all policies issued on or after its
1.14 operative date. Except as provided in paragraph (g), the adjusted premiums for a policy
1.15 shall be calculated on an annual basis and shall be the uniform percentage of the respective
1.16 premiums specified in the policy for each policy year, excluding amounts payable as extra
1.17 premiums to cover impairments or special hazards and also excluding any uniform annual
1.18 contract charge or policy fee specified in the policy in a statement of the method to be
1.19 used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the
1.20 present value, at the date of issue of the policy, of all adjusted premiums shall be equal to
1.21 the sum of (1) the then present value of the future guaranteed benefits provided for by the
1.22 policy; (2) one percent of either the amount of insurance, if the insurance is uniform in
1.23 amount, or the average amount of insurance at the beginning of each of the first ten policy

2.1 years; and (3) 125 percent of the nonforfeiture net level premium as hereinafter defined. In
2.2 applying the percentage specified in clause (3), no nonforfeiture net level premium shall
2.3 be deemed to exceed four percent of either the amount of insurance, if the insurance is
2.4 uniform in amount, or the average amount of insurance at the beginning of each of the
2.5 first ten policy years. The date of issue of a policy for the purpose of this section is the
2.6 date as of which the rated age of the insured is determined.

2.7 (b) The nonforfeiture net level premium shall be equal to the present value, at the
2.8 date of issue of the policy, of the guaranteed benefits provided for by the policy divided
2.9 by the present value, at the date of issue of the policy, of an annuity of one per annum
2.10 payable on the date of issue of the policy and on each anniversary of the policy on which a
2.11 premium falls due.

2.12 (c) In the case of a policy which causes, on a basis guaranteed in the policy,
2.13 unscheduled changes in benefits or premiums, or which provides an option for changes
2.14 in benefits or premiums other than a change to a new policy, the adjusted premiums and
2.15 present values shall initially be calculated on the assumption that future benefits and
2.16 premiums do not change from those stipulated at the date of issue of the policy. At the
2.17 time of the change in the benefits or premiums the future adjusted premiums, nonforfeiture
2.18 net level premiums, and present values shall be recalculated on the assumption that future
2.19 benefits and premiums do not change from those stipulated by the policy immediately
2.20 after the change.

2.21 (d) Except as otherwise provided in paragraph (g), the recalculated future adjusted
2.22 premiums for a policy shall be the uniform percentage of the respective future premiums
2.23 specified in the policy for each policy year, excluding amounts payable as extra premiums
2.24 to cover impairments and special hazards, and also excluding any uniform annual contract
2.25 charge or policy fee specified in the policy in a statement of the method to be used in
2.26 calculating the cash surrender values and paid-up nonforfeiture benefits, that the present
2.27 value, at the time of change to the newly defined benefits or premiums, of all future
2.28 adjusted premiums shall be equal to the excess of: (1) the sum of the then present value of
2.29 the then future guaranteed benefits provided for by the policy, and the additional expense
2.30 allowance, if any, over; (2) the then cash surrender value, if any, or present value of any
2.31 paid-up nonforfeiture benefit under the policy.

2.32 (e) The additional expense allowance, at the time of the change to the newly defined
2.33 benefits or premiums, shall be the sum of: (1) one percent of the excess, if positive, of
2.34 the average amount of insurance at the beginning of each of the first ten policy years
2.35 subsequent to the change over the average amount of insurance prior to the change at the
2.36 beginning of each of the first ten policy years subsequent to the time of the most recent

3.1 previous change, or, if there has been no previous change, the date of issue of the policy;
3.2 and (2) 125 percent of the increase, if positive, in the nonforfeiture net level premium.

3.3 (f) The recalculated nonforfeiture net level premium shall be equal to the result
3.4 obtained by dividing clause (1) by clause (2) where clause (1) equals the sum of the
3.5 nonforfeiture net level premium applicable prior to the change times the present value of
3.6 an annuity of one per annum payable on each anniversary of the policy on or subsequent
3.7 to the date of the change on which a premium would have fallen due had the change not
3.8 occurred, and the present value of the increase in future guaranteed benefits provided for
3.9 by the policy; and clause (2) equals the present value of an annuity of one per annum
3.10 payable on each anniversary of the policy on or subsequent to the date of change on
3.11 which a premium falls due.

3.12 (g) Notwithstanding any other provisions of this subdivision to the contrary, in the
3.13 case of a policy issued on a substandard basis which provides reduced graded amounts of
3.14 insurance so that, in each policy year, the policy has the same tabular mortality cost as
3.15 an otherwise similar policy issued on the standard basis which provides higher uniform
3.16 amounts of insurance, adjusted premiums and present values for the substandard policy
3.17 may be calculated as if it were issued to provide the higher uniform amounts of insurance
3.18 on the standard basis.

3.19 (h) All adjusted premiums and present values referred to in this subdivision shall:
3.20 for all policies of ordinary insurance be calculated on the basis of the Commissioners 1980
3.21 Standard Ordinary Mortality Table, or at the election of the company for any one or more
3.22 specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality
3.23 Table with Ten-Year Select Mortality Factors; for all policies of industrial insurance be
3.24 calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table;
3.25 and for all policies issued in a particular calendar year be calculated on the basis of a
3.26 rate of interest not exceeding the nonforfeiture interest rate as defined in this section for
3.27 policies issued in that calendar year. However:

3.28 (1) at the option of the company, calculations for all policies issued in a particular
3.29 calendar year may be made on the basis of a rate of interest not exceeding the nonforfeiture
3.30 interest rate, as defined in this subdivision, for policies issued in the immediately
3.31 preceding calendar year;

3.32 (2) under a paid-up nonforfeiture benefit, including any paid-up dividend additions,
3.33 any cash surrender value available, whether or not required by subdivision 2, shall be
3.34 calculated on the basis of the mortality table and rate of interest used in determining the
3.35 amount of the paid-up nonforfeiture benefit and paid-up dividend additions, if any;

4.1 (3) a company may calculate the amount of a guaranteed paid-up nonforfeiture
4.2 benefit including any paid-up additions under the policy on the basis of an interest rate no
4.3 lower than that specified in the policy for calculating cash surrender values;

4.4 (4) in calculating the present value of paid-up term insurance with accompanying
4.5 pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed
4.6 may be not more than those shown in the commissioners 1980 Extended Term Insurance
4.7 Table for policies of ordinary insurance and not more than the Commissioners 1961
4.8 Industrial Extended Term Insurance Table for policies of industrial insurance;

4.9 (5) for insurance issued on a substandard basis, the calculation of any adjusted
4.10 premiums and present values may be based on appropriate modifications of these tables;

4.11 (6)(i) for policies issued prior to the operative date of the valuation manual, any
4.12 commissioner's standard ordinary mortality tables, including any adopted after 1980 by
4.13 the National Association of Insurance Commissioners, that are approved by rule adopted
4.14 by the commissioner for use in determining the minimum nonforfeiture standard may
4.15 be substituted for the Commissioners 1980 Standard Ordinary Mortality Table with or
4.16 without Ten-Year Select Mortality Factors or for the Commissioners 1980 Extended
4.17 Term Insurance Table; and

4.18 (ii) for policies issued on or after the operative date of the valuation manual,
4.19 the valuation manual shall provide the commissioner's standard mortality table for use
4.20 in determining the minimum nonforfeiture standard that may be substituted for the
4.21 Commissioners 1980 Standard Ordinary Mortality Table with or without Ten-Year Select
4.22 Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table. If the
4.23 commissioner approves by rule any commissioner's standard ordinary mortality table
4.24 adopted by the National Association of Insurance Commissioners for use in determining
4.25 the minimum nonforfeiture standard for policies issued on or after the operative date of
4.26 the valuation manual, then that minimum nonforfeiture standard supersedes the minimum
4.27 nonforfeiture standard provided by the valuation manual;

4.28 (7)(i) for policies issued prior to the operative date of the valuation manual, any
4.29 commissioner's standard industrial mortality tables, including any adopted after 1980 by
4.30 the National Association of Insurance Commissioners, that are approved by rule adopted
4.31 by the commissioner for use in determining the minimum nonforfeiture standard may
4.32 be substituted for the Commissioners 1961 Standard Industrial Mortality Table or the
4.33 Commissioners 1961 Industrial Extended Term Insurance Table; and

4.34 (ii) for policies issued on or after the operative date of the valuation manual,
4.35 the valuation manual shall provide the commissioner's standard mortality table for use
4.36 in determining the minimum nonforfeiture standard that may be substituted for the

5.1 Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961
 5.2 Industrial Extended Term Insurance Table. If the commissioner approves by rule any
 5.3 commissioner's standard industrial mortality table adopted by the National Association of
 5.4 Insurance Commissioners for use in determining the minimum nonforfeiture standard for
 5.5 policies issued on or after the operative date of the valuation manual, then that minimum
 5.6 nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the
 5.7 valuation manual.

5.8 (i) The nonforfeiture interest rate is defined in clauses (1) and (2):

5.9 (1) for policies issued prior to the operative date of the valuation manual, the
 5.10 nonforfeiture interest rate per annum for a policy issued in a particular calendar year shall
 5.11 be equal to 125 percent of the calendar year statutory valuation interest rate for the policy
 5.12 as defined in section 61A.25, rounded to the nearer one-quarter of one percent; provided,
 5.13 however, that the nonforfeiture interest rate shall not be less than four percent; and

5.14 (2) for policies issued on and after the operative date of the valuation manual, the
 5.15 nonforfeiture interest rate per annum for any policy issued in a particular calendar year
 5.16 shall be provided by the valuation manual.

5.17 (j) Notwithstanding any other provision in this chapter to the contrary, a refiling of
 5.18 nonforfeiture values or their methods of computation for any previously approved policy
 5.19 form which involves only a change in the interest rate or mortality table used to compute
 5.20 nonforfeiture values shall not require refiling of any other provisions of that policy form.

5.21 (k) After August 1, 1982, a company may file with the commissioner a written notice
 5.22 of its election to comply with the provision of this section after a specified date before
 5.23 January 1, 1989, which shall be the operative date of this subdivision for the company.
 5.24 If a company makes no election, the operative date of this subdivision for the company
 5.25 shall be January 1, 1989.

5.26 Sec. 3. Minnesota Statutes 2014, section 61A.25, is amended to read:

5.27 **61A.25 STANDARD VALUATION LAW.**

5.28 Subdivision 1. **Citation.** This section shall be known as the "Standard Valuation
 5.29 Law."

5.30 Subd. 1a. **Definitions.** (a) For the purposes of this section, the terms defined in this
 5.31 subdivision have the meanings given them.

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

6.1 (c) "Appointed actuary" means a qualified actuary who is appointed in accordance
 6.2 with the valuation manual to prepare the actuarial opinion required in subdivision 2d.

6.3 (d) "Company" means an entity that (1) has written, issued, or reinsured life
 6.4 insurance contracts, accident and health insurance contracts, or deposit-type contracts
 6.5 in this state and has at least one such policy in force or on claim, or (2) has written,
 6.6 issued, or reinsured life insurance contracts, accident and health insurance contracts, or
 6.7 deposit-type contracts in any state and is required to hold a certificate of authority to write
 6.8 life insurance, accident and health insurance, or deposit-type contracts in this state.

6.9 (e) "Deposit-type contract" means contracts that do not incorporate mortality or
 6.10 morbidity risks and as may be specified in the valuation manual.

6.11 (f) "Life insurance" means contracts that incorporate mortality risk, including
 6.12 annuity and pure endowment contracts, and as may be specified in the valuation manual.

6.13 (g) "NAIC" means the National Association of Insurance Commissioners.

6.14 (h) "Operative date of the valuation manual" means January 1 of the first calendar
 6.15 year that the valuation manual is effective.

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

6.22 (j) "Principle-based valuation" means a reserve valuation that uses one or more
 6.23 methods or one or more assumptions determined by the insurer and is required to comply
 6.24 with subdivision 11, as specified in the valuation manual.

6.25 (k) "Qualified actuary" means an individual who is qualified to sign the applicable
 6.26 statement of actuarial opinion in accordance with the American Academy of Actuaries
 6.27 qualification standards for actuaries signing such statements and who meets the
 6.28 requirements specified in the valuation manual.

6.29 (l) "Tail risk" means a risk that occurs either where the frequency of low probability
 6.30 events is higher than expected under a normal probability distribution or where there are
 6.31 observed events of significant size or magnitude.

6.32 (m) "Valuation manual" means the manual of valuation instructions adopted by the
 6.33 NAIC as specified in this section or as subsequently amended.

6.34 **Subd. 2. Valuation of reserves; policies and contracts issued prior to the**
 6.35 **operative date of the valuation manual.** (a) The commissioner shall cause to be valued
 6.36 annually the reserve liabilities, hereinafter called reserves, for all outstanding life insurance

7.1 policies and annuity and pure endowment contracts of every life insurance company doing
 7.2 business in this state, except that in the case of a foreign or alien insurer such valuation shall
 7.3 be limited to its insurance transactions in the United States, ~~and may certify the amount~~
 7.4 ~~of any such reserves, specifying the mortality table or tables, rate or rates of interest and~~
 7.5 ~~methods (net level premium method or other) used in calculation of such reserves~~ issued on
 7.6 or after the operative date of Laws 1947, chapter 182, and prior to the operative date of the
 7.7 valuation manual. In calculating such reserves, the commissioner may use group methods
 7.8 and approximate averages for fractions of a year or otherwise. In lieu of the valuation
 7.9 of the reserves herein required of any foreign or alien company, the commissioner may
 7.10 accept any valuation made, or caused to be made, by the insurance supervisory official of
 7.11 any state or other jurisdiction when such valuation complies with the minimum standard
 7.12 herein provided ~~and if the official of such state or jurisdiction accepts as sufficient and~~
 7.13 ~~valid for all legal purposes the certificate of valuation of the commissioner when such~~
 7.14 ~~certificate states the valuation to have been made in a specified manner according to which~~
 7.15 ~~the aggregate reserves would be at least as large as if they had been computed in the~~
 7.16 ~~manner prescribed by the law of that state or jurisdiction~~ in this section. In the case of
 7.17 insurance issued by a domestic insurer upon the lives of residents of a foreign country, the
 7.18 commissioner may vary the mortality standard to a standard applicable to that country.

7.19 (b) The provisions in subdivisions 3, 3a, 3b, 4, 4a, 5, 6, 7, 8, and 9 shall apply to all
 7.20 policies and contracts, as appropriate, subject to this section issued on or after the operative
 7.21 date of Laws 1947, chapter 182, and, prior to the operative date of the valuation manual and
 7.22 the provisions in subdivisions 10 and 11, shall not apply to any such policies and contracts.

7.23 (c) The minimum standard for the valuation of policies and contracts issued prior
 7.24 to the operative date of Laws 1947, chapter 182, shall be that provided by the laws in
 7.25 effect immediately prior to that date.

7.26 Subd. 2a. **Actuarial opinion of reserves prior to the operative date of the**
 7.27 **valuation manual; general.** (a) Every life insurance company doing business in this
 7.28 state shall annually submit the opinion of a qualified actuary as to whether the reserves
 7.29 and related actuarial items held in support of the policies and contracts specified by the
 7.30 commissioner by rule are computed appropriately, are based on assumptions which satisfy
 7.31 contractual provisions, are consistent with prior reported amounts, and comply with
 7.32 applicable laws of this state. The commissioner may by rule define the specifics of this
 7.33 opinion and add any other items considered to be necessary to its scope. The opinion must
 7.34 be included in the company's annual statement.

7.35 (b) The requirement to annually submit the opinion of a qualified actuary applies
 7.36 to service plan corporations licensed under chapter 62C, to legal service plans licensed

8.1 under chapter 62G, and to all fraternal benefit societies except those societies paying
8.2 only sick benefits not exceeding \$250 in any one year, or paying funeral benefits of not
8.3 more than \$350, or aiding those dependent on a member not more than \$350, nor any
8.4 subordinate lodge or council which is, or whose members are, assessed for benefits which
8.5 are payable by a grand body.

8.6 (c) The opinion applies to all business in force, including individual and group
8.7 health insurance plans, and must be based on standards adopted by the Actuarial Standards
8.8 Board. The opinion must be acceptable to the commissioner in both form and substance.

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

8.13 (e) For the purposes of this section, "qualified actuary" means a member in good
8.14 standing of the American Academy of Actuaries who meets the requirements specified
8.15 in the regulations.

8.16 (f) The board of directors of every insurer subject to this section shall appoint a
8.17 qualified actuary to sign its actuarial opinion. The appointment of the qualified actuary
8.18 shall be approved by the commissioner. The qualified actuary so appointed may be an
8.19 employee of the insurer. Notice of the appointment, including a copy of the board of
8.20 directors' resolution, and the date of appointment shall be filed with the commissioner.
8.21 The notice may be filed before or at the time the actuarial opinion is submitted. The
8.22 notice shall state the qualifications of the actuary. If the board appoints a new actuary to
8.23 sign actuarial opinions during the year, the commissioner shall be notified of the new
8.24 appointment and the reason for change.

8.25 (g) Except in cases of fraud or willful misconduct, the qualified actuary is not liable
8.26 for damages to any person, other than the insurance company and the commissioner, for
8.27 any act, error, omission, decision, or conduct with respect to the actuary's opinion.

8.28 (h) A memorandum, in form and substance acceptable to the commissioner based on
8.29 standards adopted by the Actuarial Standards Board and on additional standards as the
8.30 commissioner may by rule prescribe, must be prepared to support each actuarial opinion.

8.31 (i) If the insurance company fails to provide a supporting memorandum at the request
8.32 of the commissioner within a period specified by the commissioner, or the commissioner
8.33 determines that the supporting memorandum provided by the insurance company fails
8.34 to meet the standards based on standards adopted by the Actuarial Standards Board
8.35 and on additional standards as the commissioner may by rule prescribe or is otherwise
8.36 unacceptable to the commissioner, the commissioner may engage a qualified actuary at the

9.1 expense of the company to review the opinion and the basis for the opinion and prepare
 9.2 the required supporting memorandum. The commissioner may only seek reimbursement
 9.3 from a company for the actual expenses incurred by an actuary in reviewing or preparing a
 9.4 supporting memorandum for that company.

9.5 (j) Any memorandum in support of the opinion, and any other material provided
 9.6 by the company to the commissioner in connection with the memorandum, must be
 9.7 kept confidential by the commissioner and must not be made public and is not subject
 9.8 to subpoena, other than for the purpose of defending an action seeking damages from
 9.9 any person by reason of any action required by this section or by rules promulgated
 9.10 under this section. The memorandum or other material may otherwise be released by
 9.11 the commissioner (1) with the written consent of the company or (2) to the American
 9.12 Academy of Actuaries upon request stating that the memorandum or other material
 9.13 is required for the purpose of professional disciplinary proceedings and setting forth
 9.14 procedures satisfactory to the commissioner for preserving the confidentiality of the
 9.15 memorandum or other material. Once any portion of the confidential memorandum is
 9.16 cited by the company in its marketing or is cited before any governmental agency other
 9.17 than a state insurance department or is released by the company to the news media, all
 9.18 portions of the confidential memorandum are no longer confidential.

9.19 Subd. 2b. **Actuarial analysis prior to the operative date of the valuation manual.**

9.20 (a) Every life insurance company, except as exempted by or pursuant to regulation, shall
 9.21 also annually include in the opinion required under subdivision 2a, paragraph (a), an
 9.22 opinion of the same qualified actuary as to whether the reserves and related actuarial
 9.23 items, including page 3, line 10, of the annual statement, held in support of the policies
 9.24 and contracts specified by the commissioner, when considered in light of the assets held
 9.25 by the company with respect to the reserves and related actuarial items, including but not
 9.26 limited to the investment earnings on the assets and the considerations anticipated to be
 9.27 received and retained under the policies and contracts, make adequate provision for the
 9.28 company's obligations under the policies and contracts, including but not limited to the
 9.29 benefits under and expenses associated with the policies and contracts.

9.30 (b) The commissioner may provide by rule for a transition period for establishing
 9.31 any higher reserves which the qualified actuary may consider necessary in order to give
 9.32 the opinion required under subdivision 2a.

9.33 Subd. 2c. **Valuation of reserves; policies and contracts issued on or after the**
 9.34 **operative date of the valuation manual.** (a) The commissioner shall annually value,
 9.35 or cause to be valued, the reserve liabilities referred to in this section as reserves for all
 9.36 outstanding life insurance contracts, annuity and pure endowment contracts, accident

10.1 and health contracts, and deposit-type contracts of every company issued on or after the
10.2 operative date of the valuation manual. In lieu of the valuation of the reserves required of
10.3 a foreign or alien company, the commissioner may accept a valuation made, or caused to
10.4 be made, by the insurance supervisory official of any state or other jurisdiction when the
10.5 valuation complies with the minimum standard provided in this section.

10.6 (b) The provisions in subdivisions 10 and 11 shall apply to all policies and contracts
10.7 issued on or after the operative date of the valuation manual.

10.8 Subd. 2d. **Actuarial opinion of reserves after the operative date of the valuation**
10.9 **manual; general and actuarial analysis.** (a) Every company with outstanding life
10.10 insurance contracts, accident and health insurance contracts, or deposit-type contracts in
10.11 this state and subject to regulation by the commissioner shall annually submit the opinion
10.12 of the appointed actuary as to whether the reserves and related actuarial items held in
10.13 support of the policies and contracts are computed appropriately, are based on assumptions
10.14 that satisfy contractual provisions, are consistent with prior reported amounts, and comply
10.15 with applicable laws of this state. The valuation manual will prescribe the specifics of this
10.16 opinion, including any items deemed to be necessary to its scope.

10.17 (b) Every company with outstanding life insurance contracts, accident and health
10.18 insurance contracts, or deposit-type contracts in this state and subject to regulation by
10.19 the commissioner, except as exempted in the valuation manual, shall annually include
10.20 in the opinion required by paragraph (a) an opinion of the same appointed actuary as
10.21 to whether the reserves and related actuarial items held in support of the policies and
10.22 contracts specified in the valuation manual, when considered in light of the assets held by
10.23 the company with respect to the reserves and related actuarial items, including but not
10.24 limited to the investment earnings on the assets and the considerations anticipated to be
10.25 received and retained under the policies and contracts, make adequate provision for the
10.26 company's obligations under the policies and contracts, including but not limited to the
10.27 benefits under and expenses associated with the policies and contracts.

10.28 (c) Each opinion required by paragraph (b) shall be governed by the following
10.29 provisions:

10.30 (1) a memorandum, in form and substance as specified in the valuation manual, and
10.31 acceptable to the commissioner, shall be prepared to support each actuarial opinion; and

10.32 (2) if the company fails to provide a supporting memorandum at the request of the
10.33 commissioner within a period specified in the valuation manual or the commissioner
10.34 determines that the supporting memorandum provided by the company fails to meet
10.35 the standards prescribed by the valuation manual or is otherwise unacceptable to
10.36 the commissioner, the commissioner may engage a qualified actuary at the expense

11.1 of the company to review the opinion and the basis for the opinion and prepare the
 11.2 supporting memorandum required by the commissioner. The commissioner may only
 11.3 seek reimbursement from a company for the actual expenses incurred by an actuary in
 11.4 reviewing or preparing a supporting memorandum for that company.

11.5 (d) Every opinion subject to this subdivision shall be governed by the following
 11.6 provisions:

11.7 (1) the opinion shall be in form and substance as specified in the valuation manual
 11.8 and acceptable to the commissioner;

11.9 (2) the opinion shall be submitted with the annual statement reflecting the valuation
 11.10 of such reserve liabilities for each year ending on or after the operative date of the
 11.11 valuation manual;

11.12 (3) the opinion shall apply to all policies and contracts subject to paragraph (b), plus
 11.13 other actuarial liabilities as may be specified in the valuation manual;

11.14 (4) the opinion shall be based on standards adopted from time to time by the
 11.15 Actuarial Standards Board or its successor and on such additional standards as may be
 11.16 prescribed in the valuation manual;

11.17 (5) in the case of an opinion required to be submitted by a foreign or alien company,
 11.18 the commissioner may accept the opinion filed by that company with the insurance
 11.19 supervisory official of another state if the commissioner determines that the opinion
 11.20 reasonably meets the requirements applicable to a company domiciled in this state;

11.21 (6) except in cases of fraud or willful misconduct, the appointed actuary shall not be
 11.22 liable for damages to any person, other than the company and the commissioner for any act,
 11.23 error, omission, decision, or conduct with respect to the appointed actuary's opinion; and

11.24 (7) failure to file the opinion and memorandum required by this subdivision is a
 11.25 violation of section 72A.061, subdivision 3.

11.26 Subd. 3. **Minimum standards of valuation generally.** Except as otherwise
 11.27 provided in subdivisions 3a and 3b, the minimum standard for the valuation of the policies
 11.28 and contracts issued prior to the operative date of Laws 1947, chapter 182, shall be
 11.29 that provided by the laws in effect immediately prior to that date. Except as otherwise
 11.30 provided in subdivisions 3a and 3b, the minimum standard for the valuation of the policies
 11.31 and contracts issued on or after the operative date of Laws 1947, chapter 182, shall be the
 11.32 commissioner's reserve valuation methods described in subdivisions 4, 4a and 7, 3-1/2
 11.33 percent interest, or in the case of policies and contracts, other than annuity and pure
 11.34 endowment contracts, issued on or after April 11, 1974, four percent interest for policies
 11.35 issued prior to August 1, 1978, 5-1/2 percent interest for single premium life insurance

12.1 policies and 4-1/2 percent interest for other policies issued on or after August 1, 1978,
12.2 and the following tables:

12.3 (a) For all ordinary policies of life insurance issued on the standard basis, excluding
12.4 any disability and accidental death benefits in the policies, the Commissioners 1941
12.5 Standard Ordinary Mortality Table for the policies issued prior to the operative date of
12.6 section 61A.24, subdivision 9 and the Commissioners 1958 Standard Ordinary Mortality
12.7 Table for the policies issued on or after the operative date of section 61A.24, subdivision
12.8 9, and prior to the operative date of section 61A.24, subdivision 12; provided, that for
12.9 any category of the policies issued on female risks all modified net premiums and present
12.10 values referred to in Laws 1959, chapter 26, may be calculated according to an age not
12.11 more than six years younger than the actual age of the insured; and for policies issued on
12.12 or after the operative date of section 61A.24, subdivision 12:

12.13 (1) the Commissioners 1980 Standard Ordinary Mortality Table;

12.14 (2) at the election of the company for any one or more specified plans of life
12.15 insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year
12.16 Select Mortality Factors; or

12.17 (3) any ordinary mortality table, including any adopted after 1980 by the National
12.18 Association of Insurance Commissioners, ~~that~~ which is approved by rule adopted by the
12.19 commissioner for use in determining the minimum standard of valuation for the policies.

12.20 (b) For all industrial life insurance policies issued on the standard basis, excluding
12.21 any disability and accidental death benefits in the policies, the 1941 Standard Industrial
12.22 Mortality Table for the policies issued prior to the operative date of section 61A.24,
12.23 subdivision 11, and for the policies issued on or after the operative date, the Commissioners
12.24 1961 Standard Industrial Mortality Table or any industrial mortality table, including
12.25 any adopted after 1980 by the National Association of Insurance Commissioners, that
12.26 is approved by rule adopted by the commissioner for use in determining the minimum
12.27 standard of valuation for the policies.

12.28 (c) For individual annuity and pure endowment contracts, excluding any disability
12.29 and accidental death benefits in the policies, the 1937 Standard Annuity Mortality Table
12.30 or, at the option of the company, the Annuity Mortality Table for 1949, ultimate, or any
12.31 modification of either of these tables approved by the commissioner.

12.32 (d) For group annuity and pure endowment contracts, excluding any disability and
12.33 accidental death benefits in the policies, the Group Annuity Mortality Table for 1951, any
12.34 modification of the table approved by the commissioner, or at the option of the company,
12.35 any of the tables or modifications of tables specified for individual annuity and pure
12.36 endowment contracts.

13.1 (e) For total and permanent disability benefits in or supplemental to ordinary policies
 13.2 or contracts, for policies or contracts issued on or after January 1, 1966, the tables of
 13.3 period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability
 13.4 study of the Society of Actuaries, with due regard to the type of benefit or any tables of
 13.5 disablement rates and termination rates, including any adopted after 1980 by the National
 13.6 Association of Insurance Commissioners, that are approved by rule adopted by the
 13.7 commissioner for use in determining the minimum standard of valuation for the policies;
 13.8 for policies or contracts issued on or after January 1, 1963, and prior to January 1, 1966,
 13.9 either the tables or, at the option of the company, the class (3) disability table (1926); and
 13.10 for policies issued prior to January 1, 1963, the class (3) disability table (1926). The table
 13.11 shall, for active lives, be combined with a mortality table permitted for calculating the
 13.12 reserves for life insurance policies.

13.13 (f) For accidental death benefits in or supplementary to policies, for policies issued
 13.14 on or after January 1, 1966, the 1959 Accidental Death Benefits Table or any accidental
 13.15 death benefits table, including any adopted after 1980 by the National Association of
 13.16 Insurance Commissioners, that is approved by rule adopted by the commissioner for use
 13.17 in determining the minimum standard of valuation for the policies; for policies issued on
 13.18 or after January 1, 1963, and prior to January 1, 1966, either table or, at the option of the
 13.19 company, the Intercompany Double Indemnity Mortality Table; and for policies issued
 13.20 prior to January 1, 1963, the Intercompany Double Indemnity Mortality Table. Either
 13.21 table shall be combined with a mortality table permitted for calculating the reserves for
 13.22 life insurance policies.

13.23 (g) For group life insurance, life insurance issued on the substandard basis and other
 13.24 special benefits, any tables as may be approved by the commissioner.

13.25 Subd. 3a. **Minimum standard of valuation for annuities and pure endowment**
 13.26 **contracts.** Except as provided in subdivision 3b, the minimum standard ~~for the~~ of
 13.27 ~~valuation of all~~ for individual annuity and pure endowment contracts issued on or after the
 13.28 operative date of this subdivision and for ~~all~~ annuities and pure endowments purchased on
 13.29 or after this operative date under group annuity and pure endowment contracts, shall be
 13.30 the commissioner's reserve valuation methods defined in subdivisions 4 and 4a, and the
 13.31 following tables and interest rates:

13.32 (a) For individual annuity and pure endowment contracts issued prior to August 1,
 13.33 1978, excluding any disability and accidental death benefits in the contracts, the 1971
 13.34 individual annuity mortality table, or any modification of this table approved by the
 13.35 commissioner, and six percent interest for single premium immediate annuity contracts,
 13.36 and four percent interest for all other individual annuity and pure endowment contracts.

14.1 (b) For individual single premium immediate annuity contracts issued on or after
14.2 August 1, 1978, excluding any disability and accidental death benefits in the contracts, the
14.3 1971 individual annuity mortality table, any individual annuity mortality table, including
14.4 any adopted after 1980 by the National Association of Insurance Commissioners, that
14.5 is approved by rule adopted by the commissioner for use in determining the minimum
14.6 standard of valuation for the contracts, or any modification of these tables approved by the
14.7 commissioner, and 7-1/2 percent interest.

14.8 (c) For individual annuity and pure endowment contracts issued on or after August
14.9 1, 1978, other than single premium immediate annuity contracts, excluding any disability
14.10 and accidental death benefits in the contracts, the 1971 individual annuity mortality
14.11 table, any individual annuity mortality table, including any adopted after 1980 by the
14.12 National Association of Insurance Commissioners, that is approved by rule adopted by the
14.13 commissioner for use in determining the minimum standard of valuation for the contracts,
14.14 or any modification of these tables approved by the commissioner, and 5-1/2 percent
14.15 interest for single premium deferred annuity and pure endowment contracts and 4-1/2
14.16 percent interest for all other individual annuity and pure endowment contracts.

14.17 (d) For all annuities and pure endowments purchased prior to August 1, 1978, under
14.18 group annuity and pure endowment contracts, excluding any disability and accidental
14.19 death benefits purchased under the contracts, the 1971 group annuity mortality table, or
14.20 any modification of this table approved by the commissioner, and six percent interest.

14.21 (e) For all annuities and pure endowments purchased on or after August 1,
14.22 1978, under group annuity and pure endowment contracts, excluding any disability
14.23 and accidental death benefits purchased under the contracts, the 1971 group annuity
14.24 mortality table, any group annuity mortality table, including any adopted after 1980 by
14.25 the National Association of Insurance Commissioners, that is approved by rule adopted
14.26 by the commissioner for use in determining the minimum standard of valuation for the
14.27 annuities and pure endowments, or any modification of these tables approved by the
14.28 commissioner, and 7-1/2 percent interest.

14.29 After April 11, 1974, a company may file with the commissioner a written notice
14.30 of its election to comply with the provisions of this subdivision after a specified date
14.31 before January 1, 1979, which shall be the operative date of this subdivision for the
14.32 company. A company may elect a different operative date for individual annuity and pure
14.33 endowment contracts from that elected for group annuity and pure endowment contracts.
14.34 If a company makes no election, the operative date of this subdivision for the company
14.35 shall be January 1, 1979.

15.1 Subd. 3b. **Computation of minimum standard by calendar year of issue.** (a) The
 15.2 interest rates used in determining the minimum standard for the valuation of the following
 15.3 shall be the calendar year statutory valuation interest rates as defined in this subdivision:

15.4 (1) all life insurance policies issued in a particular calendar year, on or after the
 15.5 operative date of section 61A.24, subdivision 12;

15.6 (2) all individual annuity and pure endowment contracts issued in a particular
 15.7 calendar year on or after January 1, 1982;

15.8 (3) all annuities and pure endowments purchased in a particular calendar year on or
 15.9 after January 1, 1982, under group annuity and pure endowment contracts; and

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

15.12 (b) The calendar year statutory valuation interest rates, I, shall be determined as
 15.13 follows and the results rounded to the nearer one-quarter of one percent:

15.14 (1) for life insurance, $I = .03 + W (R1 - .03) + (W/2) (R2 - .09)$;

15.15 (2) for single premium immediate annuities and for annuity benefits involving
 15.16 life contingencies arising from other annuities with cash settlement options and from
 15.17 guaranteed interest contracts with cash settlement options, $I = .03 + W (R - .03)$ where R1
 15.18 is the lesser of R and .09, R2 is the greater of R and .09, R is the reference interest rate
 15.19 defined in this subdivision, and W is the weighting factor defined in this subdivision;

15.20 (3) for other annuities with cash settlement options and guaranteed interest contracts
 15.21 with cash settlement options, valued on an issue year basis, except as stated in clause (2),
 15.22 the formula for life insurance stated in clause (1) shall apply to annuities and guaranteed
 15.23 interest contracts with guarantee durations in excess of ten years and the formula for single
 15.24 premium immediate annuities stated in clause (2) shall apply to annuities and guaranteed
 15.25 interest contracts with guarantee duration of ten years or less;

15.26 (4) for other annuities with no cash settlement options and for guaranteed interest
 15.27 contracts with no cash settlement options, the formula for single premium immediate
 15.28 annuities stated in clause (2) shall apply;

15.29 (5) for other annuities with cash settlement options and guaranteed interest contracts
 15.30 with cash settlement options, valued on a change in fund basis, the formula for single
 15.31 premium immediate annuities stated in clause (2) shall apply.

15.32 However, if the calendar year statutory valuation interest rate for life insurance
 15.33 policies issued in a calendar year determined without reference to this sentence differs
 15.34 from the corresponding actual rate for similar policies issued in the immediately preceding
 15.35 calendar year by less than one-half of one percent, the calendar year statutory valuation

16.1 interest rate for the life insurance policies shall be equal to the corresponding actual rate
16.2 for the immediately preceding calendar year.

16.3 For purposes of applying the immediately preceding sentence, the calendar year
16.4 statutory valuation interest rate for life insurance policies issued in a calendar year shall
16.5 be determined for 1980 using the reference interest rate defined for 1979 and shall
16.6 be determined for each subsequent calendar year regardless of when section 61A.24,
16.7 subdivision 12, becomes operative.

16.8 (c) The weighting factors referred to in the formulas stated above are as follows:

16.9 (1) The weighting factors for life insurance are:

| Guarantee Duration (Years) | Weighting Factors |
|--|-------------------|
| ten or less | .50 |
| more than ten, but not more than 20 | .45 |
| more than 20 | .35 |

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

16.19 (2) The weighting factor for single premium immediate annuities and for annuity
16.20 benefits involving life contingencies arising from other annuities with cash settlement
16.21 options and guaranteed interest contracts with cash settlement options is .80; and

16.22 (3) The weighting factors for other annuities and for guaranteed interest contracts,
16.23 except as stated in clause (2), shall be as specified in tables (i), (ii), and (iii), according to
16.24 the rules and definitions in (iv), (v), and (vi):

16.25 (i) For annuities and guaranteed interest contracts valued on an issue year
16.26 basis:

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

16.33 (ii) Plan Type
16.34 A B C

16.35 For annuities and guaranteed interest
16.36 contracts valued on a change in
16.37 fund basis, the factors shown in (i)
16.38 increased by: .15 .25 .05

16.39 (iii) Plan Type

| 17.1 | | A | B | C |
|-------|--|-----|-----|-----|
| 17.2 | For annuities and guaranteed interest | | | |
| 17.3 | contracts valued on an issue year | | | |
| 17.4 | basis, other than those with no cash | | | |
| 17.5 | settlement options, which do not | | | |
| 17.6 | guarantee interest on considerations | | | |
| 17.7 | received more than one year after | | | |
| 17.8 | issue or purchase and for annuities | | | |
| 17.9 | and guaranteed interest contracts | | | |
| 17.10 | valued on a change in fund basis | | | |
| 17.11 | which do not guarantee interest rates | | | |
| 17.12 | on considerations received more than | | | |
| 17.13 | 12 months beyond the valuation date, | | | |
| 17.14 | the factors shown in (i) or derived in | | | |
| 17.15 | (ii) increased by: | .05 | .05 | .05 |

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

17.23 (v) Plan type as used in the above tables is defined as follows:

17.24 Plan Type A: At any time policyholders may withdraw funds only (1) with an
 17.25 adjustment to reflect changes in interest rates or asset values since receipt of the funds by
 17.26 the insurance company, (2) without the adjustment but in installments over five years or
 17.27 more, or (3) as an immediate life annuity.

17.28 Plan Type B: Before expiration of the interest rate guarantee, policyholders may
 17.29 withdraw funds only (1) with an adjustment to reflect changes in interest rates or asset
 17.30 values since receipt of the funds by the insurance company, or (2) without the adjustment
 17.31 but in installments over five years or more. At the end of interest rate guarantee, funds
 17.32 may be withdrawn without the adjustment in a single sum or installments over less than
 17.33 five years.

17.34 Plan Type C: Policyholders may withdraw funds before expiration of interest rate
 17.35 guarantee in a single sum or installments over less than five years either (1) without
 17.36 adjustment to reflect changes in interest rates or asset values since receipt of the funds
 17.37 by the insurance company, or (2) subject only to a fixed surrender charge stipulated in
 17.38 the contract as a percentage of the fund.

17.39 (vi) A company may elect to value guaranteed interest contracts with cash settlement
 17.40 options and annuities with cash settlement options on either an issue year basis or on a
 17.41 change in fund basis. Guaranteed interest contracts with no cash settlement options and

18.1 other annuities with no cash settlement options must be valued on an issue year basis.
18.2 As used in this subdivision, an issue year basis of valuation refers to a valuation basis
18.3 under which the interest rate used to determine the minimum valuation standard for the
18.4 entire duration of the annuity or guaranteed interest contract is the calendar year valuation
18.5 interest rate for the year of issue or year of purchase of the annuity or guaranteed interest
18.6 contract, and the change in fund basis of valuation refers to a valuation basis under which
18.7 the interest rate used to determine the minimum valuation standard applicable to each
18.8 change in the fund held under the annuity or guaranteed interest contract is the calendar
18.9 year valuation interest rate for the year of the change in the fund.

18.10 (d) The reference interest rate referred to in paragraph (b) shall be defined as follows:

18.11 (1) for all life insurance, the lesser of the average over a period of 36 months and
18.12 the average over a period of 12 months, ending on June 30 of the calendar year next
18.13 preceding the year of issue, of Moody's Corporate Bond Yield Average-Monthly Average
18.14 Corporates, as published by Moody's Investors Service, Inc.;

18.15 (2) for single premium immediate annuities and for annuity benefits involving life
18.16 contingencies arising from other annuities with cash settlement options and guaranteed
18.17 interest contracts with cash settlement options, the average over a period of 12 months,
18.18 ending on June 30 of the calendar year of issue or year of purchase, of Moody's Corporate
18.19 Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors
18.20 Service, Inc.;

18.21 (3) for other annuities with cash settlement options and guaranteed interest contracts
18.22 with cash settlement options, valued on a year of issue basis, except as stated in clause (2),
18.23 with guarantee duration in excess of ten years, the lesser of the average over a period of 36
18.24 months and the average over a period of 12 months, ending on June 30 of the calendar
18.25 year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average
18.26 Corporates, as published by Moody's Investors Service, Inc.;

18.27 (4) for other annuities with cash settlement options and guaranteed interest contracts
18.28 with cash settlement options, valued on a year of issue basis, except as stated in clause (2),
18.29 with guarantee duration of ten years or less, the average over a period of 12 months, ending
18.30 on June 30 of the calendar year of issue or purchase, of Moody's Corporate Bond Yield
18.31 Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.;

18.32 (5) for other annuities with no cash settlement options and for guaranteed interest
18.33 contracts with no cash settlement options, the average over a period of 12 months, ending
18.34 on June 30 of the calendar year of issue or purchase, of Moody's Corporate Bond Yield
18.35 Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.;

18.36 and

19.1 (6) for other annuities with cash settlement options and guaranteed interest contracts
19.2 with cash settlement options, valued on a change in fund basis, except as stated in clause
19.3 (2), the average over a period of 12 months, ending on June 30 of the calendar year of
19.4 the change in the fund, of Moody's Corporate Bond Yield Average-Monthly Average
19.5 Corporates, as published by Moody's Investors Service, Inc.

19.6 (e) In the event that Moody's Corporate Bond Yield Average-Monthly Average
19.7 Corporates is no longer published by Moody's Investors Service, Inc., or in the event
19.8 that the commissioner determines that Moody's Corporate Bond Yield Average-Monthly
19.9 Average Corporates as published by Moody's Investors Service, Inc. is no longer
19.10 appropriate for the determination of the reference interest rate, then an alternative method
19.11 for determination of the reference interest rate, which has been approved by rule adopted
19.12 by the commissioner, may be substituted.

19.13 Subd. 4. **Reserve valuation of life insurance and endowment benefits; modified**
19.14 **premiums.** (a) Except as otherwise provided in paragraph (b) and subdivisions 4a and 7,
19.15 reserves according to the commissioner's reserve valuation method, for the life insurance
19.16 and endowment benefits of policies providing for a uniform amount of insurance and
19.17 requiring the payment of uniform premiums shall be the excess, if any, of the present
19.18 value at the date of valuation of future guaranteed benefits provided for by the policies
19.19 over the then present value of any future modified net premiums therefor. The modified
19.20 net premiums for a policy shall be the uniform percentage of the respective contract
19.21 premiums for the benefits such that the present value, at the date of issue of the policy, of
19.22 all the modified net premiums shall be equal to the sum of the then present value of the
19.23 benefits provided for by the policy and the excess of clause (1) over clause (2) as follows:

19.24 (1) a net level annual premium equal to the present value, at the date of issue, of the
19.25 benefits provided for after the first policy year, divided by the present value at the date of
19.26 issue of an annuity of one per annum payable on the first and each subsequent anniversary
19.27 of the policy on which a premium falls due; but the net level annual premium shall not
19.28 exceed the net level annual premium on the 19 year premium whole life plan for insurance
19.29 of the same amount at an age one year higher than the age at issue of the policy;

19.30 (2) a net one year term premium for the benefits provided for in the first policy year.

19.31 (b) For a life insurance policy issued on or after January 1, 1985, for which the
19.32 contract premium in the first policy year exceeds that of the second year and for which no
19.33 comparable additional benefit is provided in the first year for the excess and which provides
19.34 an endowment benefit or a cash surrender value or a combination thereof in an amount
19.35 greater than the excess premium, the reserve according to the commissioner's reserve
19.36 valuation method as of a policy anniversary occurring on or before the assumed ending

20.1 date defined herein as the first policy anniversary on which the sum of any endowment
20.2 benefit and any cash surrender value then available is greater than the excess premium
20.3 shall, except as otherwise provided in subdivision 7, be the greater of the reserve as of the
20.4 policy anniversary calculated as described in paragraph (a) and the reserve as of the policy
20.5 anniversary calculated as described in that paragraph, but with the value defined in clause
20.6 (1) of that paragraph being reduced by 15 percent of the amount of the excess first year
20.7 premium; all present values of benefits and premiums being determined without reference
20.8 to premiums or benefits provided for by the policy after the assumed ending date; the
20.9 policy being assumed to mature on that date as an endowment; and the cash surrender value
20.10 provided on that date being considered as an endowment benefit. In making the above
20.11 comparison the mortality and interest bases stated in subdivisions 3 and 3b shall be used.

20.12 (c) Reserves according to the commissioners reserve valuation method for (1) life
20.13 insurance policies providing for a varying amount of insurance or requiring the payment
20.14 of varying premiums, (2) group annuity and pure endowment contracts purchased under
20.15 a retirement plan or plan of deferred compensation, established or maintained by an
20.16 employer, including but not limited to a partnership or sole proprietorship, or by an
20.17 employee organization, or by both, other than a plan providing individual retirement
20.18 accounts or individual retirement annuities under Section 408 of the Internal Revenue
20.19 Code, as amended, (3) disability and accidental death benefits in all policies and contracts,
20.20 and (4) all other benefits, except life insurance and endowment benefits in life insurance
20.21 policies and benefits provided by all other annuity and pure endowment contracts, shall be
20.22 calculated by a method consistent with the principles of paragraphs (a) and (b), except
20.23 that any extra premiums charged because of impairments or special hazards shall be
20.24 disregarded in the determination of modified net premiums.

20.25 (d) For a universal life insurance policy that guarantees coverage to remain in
20.26 force as long as the accumulation of premiums paid satisfies a secondary guarantee
20.27 requirement, reserves according to the commissioners reserve valuation method may be
20.28 calculated using a lapse assumption only in accordance with and in the circumstances
20.29 described in the National Association of Insurance Commissioners' accounting practices
20.30 and procedures manual.

20.31 Subd. 4a. **Annuity and pure endowment contracts.** This subdivision shall
20.32 apply to all annuity and pure endowment contracts other than group annuity and pure
20.33 endowment contracts purchased under a retirement plan or plan of deferred compensation,
20.34 established or maintained by an employer, including but not limited to a partnership
20.35 or sole proprietorship, or by an employee organization, or by both, other than a plan

21.1 providing individual retirement accounts or individual retirement annuities under Section
21.2 408 of the Internal Revenue Code, as amended.

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

21.15 Subd. 5. **Minimum aggregate reserves.** A company's aggregate reserves for all life
21.16 insurance policies, excluding disability and accidental death benefits, issued on or after the
21.17 operative date of Laws 1947, chapter 182, shall not be less than the aggregate reserves
21.18 calculated in accordance with the methods set forth in subdivisions 4, 4a, 7, and 8, and
21.19 the mortality table or tables and rate or rates of interest used in calculating nonforfeiture
21.20 benefits for the policies.

21.21 In no event shall the aggregate reserves for all policies, contracts, and benefits
21.22 be less than the aggregate reserves determined by the ~~qualified~~ appointed actuary to be
21.23 necessary to render the opinion required under ~~subdivision~~ subdivisions 2a and 2b.

21.24 Subd. 6. **Calculation of reserves.** ~~(1) (a)~~ Reserves for ~~all~~ policies and contracts
21.25 issued prior to the operative date of Laws 1947, chapter 182, may be calculated, at the
21.26 option of the company, according to any standards which produce greater aggregate
21.27 reserves for all such policies and contracts than the minimum reserves required by the
21.28 laws in effect immediately prior to such date.

21.29 ~~(2) (b)~~ Reserves for any category of policies, contracts or benefits as established by
21.30 the commissioner, issued on or after the operative date of Laws 1947, chapter 182, may
21.31 be calculated, at the option of the company, according to any standards which produce
21.32 greater aggregate reserves for such category than those calculated according to the
21.33 minimum standard herein provided, but the rate or rates of interest used for policies and
21.34 contracts, other than annuity and pure endowment contracts, shall not be ~~higher~~ greater
21.35 than the corresponding rate or rates of interest used in calculating any nonforfeiture
21.36 benefits provided for ~~therein~~ in the policies or contracts.

22.1 (3) (c) Any such company which adopts at any time ~~shall have adopted~~ any standard
 22.2 of valuation producing greater aggregate reserves than those calculated according to
 22.3 the minimum standard ~~herein~~ provided under this section may, with the approval of the
 22.4 commissioner, adopt any lower standard of valuation, but not lower than the minimum
 22.5 herein provided. For purposes of this section, the holding of additional reserves previously
 22.6 determined by ~~a qualified~~ the appointed actuary to be necessary to give the opinion
 22.7 required under ~~subdivision~~ subdivisions 2a and 2d shall not be considered the adoption of
 22.8 a higher standard of valuation.

22.9 Subd. 7. **Reserve calculation; valuation net premium exceeding the gross**
 22.10 **premium charged.** If in a contract year the gross premium charged by a life insurance
 22.11 company on a policy or contract is less than the valuation net premium for the policy or
 22.12 contract calculated by the method used in calculating the reserve thereon, but using the
 22.13 minimum valuation standards of mortality and rate of interest, the minimum reserve
 22.14 required for the policy or contract shall be the greater of either the reserve calculated
 22.15 according to the mortality table, rate of interest, and method actually used for the policy or
 22.16 contract, or the reserve calculated by the method actually used for the policy or contract
 22.17 but using the minimum valuation standards of mortality and rate of interest and replacing
 22.18 the valuation net premium by the actual gross premium in each contract year for which
 22.19 the valuation net premium exceeds the actual gross premium. The minimum valuation
 22.20 standards of mortality and rate of interest referred to in this subdivision are those standards
 22.21 stated in subdivisions 3 and 3b. However, for a life insurance policy issued on or after
 22.22 January 1, 1985, for which the gross premium in the first policy year exceeds that of
 22.23 the second year and for which no comparable additional benefit is provided in the first
 22.24 year for the excess and which provides an endowment benefit or a cash surrender value
 22.25 or a combination thereof in an amount greater than the excess premium, the foregoing
 22.26 provisions of this subdivision shall be applied as if the method actually used in calculating
 22.27 the reserve for the policy was the method described in subdivision 4, ignoring subdivision
 22.28 4, paragraph (b). The minimum reserve at each policy anniversary of the policy shall be
 22.29 the greater of the minimum reserve calculated in accordance with subdivision 4, including
 22.30 subdivision 4, paragraph (b), and the minimum reserve calculated in accordance with
 22.31 this subdivision.

22.32 Subd. 8. **Reserve calculation; plans not covered by other subdivisions.** In the
 22.33 case of a plan of life insurance or annuity for which the minimum reserves cannot be
 22.34 determined by the methods described in subdivisions 4, 4a, and 7, the reserves which are
 22.35 held under any plan must:

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

23.3 (b) be computed by a method which is consistent with the principles of this section
23.4 as determined by rules adopted by the commissioner.

23.5 Subd. 9. **Minimum standards for health, disability, accident, and sickness plans**
23.6 **accident and health insurance contracts.** ~~The commissioner may adopt a rule containing~~
23.7 ~~the minimum standards applicable to the valuation of health, disability, accident, and~~
23.8 ~~sickness plans.~~ For health, disability, accident, and sickness plans issued on or after the
23.9 operative date of Laws 1947, chapter 182, and prior to the operative date of the valuation
23.10 manual, the minimum standard of valuation is the standard adopted by the commissioner
23.11 by rule. For accident and health insurance contracts issued on or after the operative date of
23.12 the valuation manual, the standard prescribed in the valuation manual is the minimum
23.13 standard of valuation required under subdivision 2c.

23.14 Subd. 10. **Valuation manual for policies issued on or after the operative date**
23.15 **of the valuation manual.** (a) For policies issued on or after the operative date of the
23.16 valuation manual, the standard prescribed in the valuation manual is the minimum standard
23.17 of valuation required under subdivision 2c, except as provided under paragraph (e) or (g).

23.18 (b) The operative date of the valuation manual is January 1 of the first calendar year
23.19 following the first July 1 as of which all of the following have occurred:

23.20 (1) the valuation manual has been adopted by the National Association of Insurance
23.21 Commissioners by an affirmative vote of at least 42 members, or three-fourths of the
23.22 members voting, whichever is greater;

23.23 (2) the Standard Valuation Law, as amended by the National Association of Insurance
23.24 Commissioners in 2009, or legislation including substantially similar terms and provisions,
23.25 has been enacted by states representing greater than 75 percent of the direct premiums
23.26 written as reported in the following annual statements submitted for 2008: life, accident
23.27 and health annual statements; health annual statements; or fraternal annual statements; and

23.28 (3) the Standard Valuation Law, as amended by the National Association of
23.29 Insurance Commissioners in 2009, or legislation including substantially similar terms
23.30 and provisions, has been enacted by at least 42 of the following 55 jurisdictions: the 50
23.31 states of the United States, American Samoa, the American Virgin Islands, the District of
23.32 Columbia, Guam, and Puerto Rico.

23.33 (c) Unless a change in the valuation manual specifies a later effective date, changes
23.34 to the valuation manual shall be effective on January 1 following the date when the change
23.35 to the valuation manual has been adopted by the National Association of Insurance
23.36 Commissioners by an affirmative vote representing:

24.1 (1) at least three-fourths of the members of the National Association of Insurance
 24.2 Commissioners voting, but not less than a majority of the total membership; and

24.3 (2) members of the National Association of Insurance Commissioners representing
 24.4 jurisdictions totaling greater than 75 percent of the direct premiums written as reported
 24.5 in the following annual statements most recently available prior to the vote in clause
 24.6 (1): life, accident and health annual statements, health annual statements, or fraternal
 24.7 annual statements.

24.8 (d) The valuation manual must specify all of the following:

24.9 (1) minimum valuation standards for and definitions of the policies or contracts
 24.10 subject to subdivision 2c. Such minimum valuation standards shall be:

24.11 (i) the commissioner's reserve valuation method for life insurance contracts, other
 24.12 than annuity contracts, subject to subdivision 2c;

24.13 (ii) the commissioner's annuity reserve valuation method for annuity contracts
 24.14 subject to subdivision 2c; and

24.15 (iii) minimum reserves for all other policies or contracts subject to subdivision 2c;

24.16 (2) the policies or contracts or types of policies or contracts that are subject to the
 24.17 requirements of a principle-based valuation in subdivision 11, paragraph (a), and the
 24.18 minimum valuation standards consistent with those requirements;

24.19 (3) for policies and contracts subject to a principle-based valuation under subdivision
 24.20 11:

24.21 (i) requirements for the format of reports to the commissioner under subdivision 11,
 24.22 paragraph (b), clause (3), which shall include information necessary to determine if the
 24.23 valuation is appropriate and in compliance with this section;

24.24 (ii) assumptions shall be prescribed for risks over which the company does not
 24.25 have significant control or influence; and

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

24.28 (4) for policies not subject to a principle-based valuation under subdivision 11 the
 24.29 minimum valuation standard shall either:

24.30 (i) be consistent with the minimum standard of valuation prior to the operative
 24.31 date of the valuation manual; or

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

24.35 (5) other requirements, including but not limited to those relating to reserve methods,
 24.36 models for measuring risk, generation of economic scenarios, assumptions, margins, use

25.1 of company experience, risk measurement, disclosure, certifications, reports, actuarial
 25.2 opinions and memorandums, and transition rules and internal controls; and

25.3 (6) the data and form of the data required under subdivision 12, with whom the
 25.4 data must be submitted, and may specify other requirements including data analyses
 25.5 and reporting of analyses.

25.6 (e) In the absence of a specific valuation requirement or if a specific valuation
 25.7 requirement in the valuation manual is not, in the opinion of the commissioner, in
 25.8 compliance with this section, then the company shall, with respect to such requirements,
 25.9 comply with minimum valuation standards prescribed by the commissioner by rule.

25.10 (f) The commissioner may engage a qualified actuary, at the expense of the company,
 25.11 to perform an actuarial examination of the company and opine on the appropriateness of
 25.12 any reserve assumption or method used by the company, or to review and opine on a
 25.13 company's compliance with any requirement in this section. The commissioner may
 25.14 rely upon the opinion, regarding provisions contained within this section, of a qualified
 25.15 actuary engaged by the commissioner of another state, district, or territory of the United
 25.16 States. The commissioner may only seek reimbursement from a company for the actual
 25.17 expenses incurred by an actuary in performing the actuarial examination and opining
 25.18 on the reserves of that company.

25.19 (g) The commissioner may require a company to change an assumption or
 25.20 method that in the opinion of the commissioner is necessary in order to comply with
 25.21 the requirements of the valuation manual or this section, and the company shall adjust
 25.22 the reserves as required by the commissioner. If a company fails to make the required
 25.23 adjustment, the commissioner may take other disciplinary action. The company has the
 25.24 right to a confidential hearing conducted in accordance with chapter 14 on a record, at
 25.25 which the insurer may challenge any determination or action by the commissioner under
 25.26 this paragraph. The insurer shall notify the commissioner of its request for a hearing
 25.27 within five days after notification that the commissioner intends to take disciplinary action
 25.28 under this paragraph. Upon receipt of the insurer's request for a hearing, the commissioner
 25.29 shall set a date for the hearing no less than ten nor more than 30 days after the date of
 25.30 the insurer's request.

25.31 Subd. 11. **Requirements of a principle-based valuation.** (a) A company must
 25.32 establish reserves using a principle-based valuation that meets the following conditions
 25.33 for policies or contracts as specified in the valuation manual:

25.34 (1) quantify the benefits and guarantees and the funding associated with the contracts
 25.35 and their risks at a level of conservatism that reflects conditions that include unfavorable
 25.36 events that have a reasonable probability of occurring during the lifetime of the contracts.

26.1 For policies or contracts with significant tail risk, reflects conditions appropriately adverse
 26.2 to quantify the tail risk;

26.3 (2) incorporate assumptions, risk analysis methods, and financial models and
 26.4 management techniques that are consistent with, but not necessarily identical to, those
 26.5 utilized within the company's overall risk assessment process, while recognizing potential
 26.6 differences in financial reporting structures and any prescribed assumptions or methods;

26.7 (3) incorporate assumptions that are derived in one of the following manners:

26.8 (i) the assumption is prescribed in the valuation manual; or

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

26.10 (A) be established utilizing the company's available experience, to the extent it is
 26.11 relevant and statistically credible; or

26.12 (B) to the extent that company data is not available, relevant, or statistically credible,
 26.13 be established utilizing other relevant, statistically credible experience; and

26.14 (4) provide margins for uncertainty including adverse deviation and estimation error,
 26.15 such that the greater the uncertainty the larger the margin and resulting reserve.

26.16 (b) A company using a principle-based valuation for one or more policies or
 26.17 contracts subject to this subdivision as specified in the valuation manual shall:

26.18 (1) establish procedures for corporate governance and oversight of the actuarial
 26.19 valuation function consistent with those described in the valuation manual;

26.20 (2) provide to the commissioner and the board of directors an annual certification
 26.21 of the effectiveness of the internal controls with respect to the principle-based valuation.
 26.22 Such controls shall be designed to ensure that all material risks inherent in the liabilities
 26.23 and associated assets subject to such valuation are included in the valuation and that
 26.24 valuations are made in accordance with the valuation manual. The certification shall be
 26.25 based on the controls in place as of the end of the preceding calendar year; and

26.26 (3) develop and file with the commissioner upon request a principle-based valuation
 26.27 report that complies with standards prescribed in the valuation manual.

26.28 (c) A principle-based valuation may include a prescribed formulaic reserve
 26.29 component.

26.30 **Subd. 12. Experience reporting for policies in force on or after the operative**
 26.31 **date of the valuation manual. A company shall submit mortality, morbidity, policyholder**
 26.32 **behavior, or expense experience, and other data as prescribed in the valuation manual.**

26.33 **Subd. 13. Data practices. (a) The following data are private or nonpublic data, as**
 26.34 **defined in section 13.02, subdivisions 9 and 12:**

26.35 (1) a memorandum in support of an opinion submitted under subdivision 2a or 2d
 26.36 and any other documents, materials, and other information, including but not limited to all

27.1 working papers, and copies thereof, created, produced, or obtained by or disclosed to the
27.2 commissioner or any other person in connection with such memorandum;

27.3 (2) all documents, materials, and other information, including but not limited to all
27.4 working papers, and copies thereof, created, produced, or obtained by or disclosed to the
27.5 commissioner or any other person in the course of an examination made under subdivision
27.6 10, paragraph (f);

27.7 (3) any reports, documents, materials, and other information developed by a
27.8 company in support of, or in connection with, an annual certification by the company under
27.9 subdivision 11, paragraph (b), clause (2), evaluating the effectiveness of the company's
27.10 internal controls with respect to a principle-based valuation and any other documents,
27.11 materials, and other information, including but not limited to all working papers, and
27.12 copies thereof, created, produced, or obtained by or disclosed to the commissioner or any
27.13 other person in connection with such reports, documents, materials, and other information;

27.14 (4) any principle-based valuation report developed under subdivision 11, paragraph
27.15 (b), clause (3), and any other documents, materials, and other information, including but
27.16 not limited to all working papers, and copies thereof, created, produced, or obtained by or
27.17 disclosed to the commissioner or any other person in connection with such report; and

27.18 (5) any documents, materials, data, and other information submitted by a company
27.19 under subdivision 12 (collectively, "experience data") and any other documents, materials,
27.20 data, and other information, including but not limited to all working papers, and copies
27.21 thereof, created or produced in connection with such experience data, in each case that
27.22 includes any potentially company-identifying or personally identifiable information that
27.23 is provided to or obtained by the commissioner together with any experience data, the
27.24 experience materials, and any other documents, materials, data, and other information,
27.25 including but not limited to all working papers, and copies thereof, created, produced,
27.26 or obtained by or disclosed to the commissioner or any other person in connection with
27.27 such experience materials.

27.28 (b) Except as provided in this subdivision, the documents, materials, or other
27.29 information described in paragraph (a) are not subject to subpoena and shall not be
27.30 subject to discovery or admissible in evidence in any private civil action, provided that
27.31 the commissioner is authorized to use the documents, materials, or other information
27.32 described in paragraph (a) in the furtherance of any regulatory or legal action brought
27.33 against the company as a part of the commissioner's official duties.

27.34 (c) Neither the commissioner nor any person who received the documents, materials,
27.35 or other information described in paragraph (a) while acting under the authority of

28.1 the commissioner shall be permitted or required to testify in any private civil action
28.2 concerning documents, materials, or other information classified by this subdivision.

28.3 (d) In order to assist in the performance of the commissioner's duties, the
28.4 commissioner may share the documents, materials, or other information specified in
28.5 paragraph (a), clauses (1) and (4), only, with the Actuarial Board for Counseling and
28.6 Discipline or its successor upon request stating that the documents, materials, or other
28.7 information described in paragraph (a) is required for the purpose of professional
28.8 disciplinary proceedings and with state, federal, and international law enforcement
28.9 officials; in the case of items (i) and (ii), provided that such recipient agrees, and has the
28.10 legal authority to agree, to maintain the private, nonpublic, and privileged status of such
28.11 documents, materials, data, and other information in the same manner and to the same
28.12 extent as required for the commissioner.

28.13 (e) The commissioner may receive documents, materials, data, and other
28.14 information, including otherwise private, nonpublic, and privileged documents, materials,
28.15 data, or information, from the National Association of Insurance Commissioners and its
28.16 affiliates and subsidiaries, from regulatory or law enforcement officials of other foreign
28.17 or domestic jurisdictions and from the Actuarial Board for Counseling and Discipline or
28.18 its successor and shall maintain as private, nonpublic, or privileged of any document,
28.19 material, data, or other information received with notice or the understanding that it is
28.20 private, nonpublic, or privileged under the laws of the jurisdiction that is the source of the
28.21 document, material, or other information.

28.22 (f) The commissioner may enter into agreements governing sharing and use of
28.23 information consistent with this subdivision.

28.24 (g) No waiver of any applicable privilege or claim of confidentiality in documents,
28.25 materials, or other information described in paragraph (a) shall occur as a result of
28.26 disclosure to the commissioner under this subdivision or as a result of sharing as
28.27 authorized in paragraph (d).

28.28 (h) A privilege established under the law of a state or jurisdiction that is substantially
28.29 similar to the privilege established under this subdivision shall be available and enforced
28.30 in any proceeding in, and in any court of, this state.

28.31 (i) Notwithstanding this subdivision, any documents, materials, or information
28.32 specified in paragraph (a), clauses (1) and (4):

28.33 (1) may be subject to subpoena for the purpose of defending an action seeking
28.34 damages from the appointed actuary submitting the related memorandum in support
28.35 of an opinion submitted under subdivision 2a or 2d or principle-based valuation report

29.1 developed under subdivision 11, paragraph (b), clause (3), by reason of an action required
29.2 by this section or by rules adopted hereunder;

29.3 (2) may otherwise be released by the commissioner with the written consent of
29.4 the company; and

29.5 (3) once any portion of a memorandum in support of an opinion submitted under
29.6 subdivision 2a or 2d or a principle-based valuation report developed under subdivision
29.7 11, paragraph (b), clause (3), is cited by the company in its marketing or is publicly
29.8 volunteered to or before a governmental agency other than a state insurance department
29.9 or is released by the company to the news media, all portions of such memorandum or
29.10 report shall no longer be classified under this subdivision.

29.11 Subd. 14. **Single state exemption.** (a) The commissioner may exempt specific
29.12 product forms or product lines of a domestic company that is licensed and doing business
29.13 only in Minnesota from the requirements of subdivision 10 provided:

29.14 (1) the commissioner has issued an exemption in writing to the company and has
29.15 not subsequently revoked the exemption in writing; and

29.16 (2) the company computes reserves using assumptions and methods used prior to
29.17 the operative date of the valuation manual in addition to any requirements established by
29.18 the commissioner and adopted by rules.

29.19 (b) For any company granted an exemption under this subdivision, subdivisions 2a,
29.20 2b, 2d, 3, 3a, 3b, 4, 4a, 5, 6, 7, 8, and 9 shall be applicable. With respect to any company
29.21 applying this exemption, any reference to subdivision 10 found in subdivisions 2a, 2b, 2d,
29.22 3, 3a, 3b, 4, 4a, 5, 6, 7, 8, and 9 shall not be applicable.