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§5–313. NOT IN EFFECT

**** CONTINGENCY – NOT IN EFFECT – CHAPTER 367 OF 2015 ****

(a) Except as provided in subsection (e) or (g) of this section, for life insurance policies, accident and health insurance contracts, and deposit-type contracts issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual is the minimum standard of valuation.

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

(1) the valuation manual has been adopted by NAIC by an affirmative vote of at least 42 members or 75% of the members voting, whichever is greater;

(2) the Standard Valuation Law, as amended by 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:

- (i) life, accident, and health annual statements;
- (ii) health annual statements; or
- (iii) fraternal annual statements; and

(3) the Standard Valuation Law, as amended by NAIC in 2009, or legislation including substantially similar terms and provisions, has been enacted by at least 42 of the following 55 jurisdictions:

- (i) the 50 states of the United States;
- (ii) American Samoa;
- (iii) the U.S. Virgin Islands;
- (iv) the District of Columbia;
- (v) Guam; and
- (vi) Puerto Rico.

(c) Unless a change in the valuation manual specifies a later effective date, changes to the valuation manual shall be effective on January 1 following the date when the change to the valuation manual has been adopted by NAIC by an affirmative

vote representing:

(1) at least 75% of the members of NAIC voting, but not less than a majority of the total membership; and

(2) members of NAIC representing jurisdictions totaling greater than 75% of the direct premiums written, as reported in the following annual statements most recently available before the vote under item (1) of this subsection:

- (i) life, accident, and health annual statements;
- (ii) health annual statements; or
- (iii) fraternal annual statements.

(d) (1) The valuation manual shall specify the following:

(i) the minimum valuation standards for each type of life insurance policy, accident and health insurance contract, and deposit-type contract issued by a company on or after the operative date of the valuation manual;

(ii) the policies and contracts or types of policies and contracts that are subject to the requirements of a principle-based valuation under § 5-314 of this subtitle and the minimum valuation standards consistent with those requirements;

(iii) for policies and contracts subject to a principle-based valuation under § 5-314 of this subtitle:

1. requirements for the format of reports to the Commissioner required under § 5-314(b)(1)(iii) of this subtitle, including the information necessary to determine if the principle-based valuation is appropriate and in compliance with this subtitle;

2. required assumptions for risks over which a company 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 those procedures;

(iv) any other requirements, including requirements relating to reserve methods, models for measuring risk, generation of economic scenarios, assumptions, margins, use of company experience, risk measurement, disclosure, certifications, reports, actuarial opinions and memoranda, transition rules, and internal controls; and

(v) the data and the form of the data required under § 5-315 of this subtitle, the person to whom the data must be submitted, and any other requirements

considered necessary, including requirements relating to data analysis and reporting of analyses.

(2) The minimum valuation standards required under paragraph (1)(i) of this subsection shall be known as:

(i) the Commissioners reserve valuation method for life insurance policies, other than annuity contracts;

(ii) the Commissioners annuity reserve valuation method for annuity contracts; and

(iii) minimum reserves for all other policies or contracts.

(3) For policies and contracts not subject to a principle-based valuation under § 5-314 of this subtitle, the minimum valuation standard shall:

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

(ii) develop 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.

(e) In the absence of a specific valuation requirement, or if a specific valuation requirement in the valuation manual is not, in the opinion of the Commissioner, in compliance with this subtitle, a company, with respect to the requirement, shall comply with the minimum valuation standard prescribed by the Commissioner by regulation.

(f) (1) The Commissioner may engage a qualified actuary at the expense of the company to:

(i) perform an actuarial examination of a company and opine on the appropriateness of any reserve assumption or method used by the company; or

(ii) review and opine on a company's compliance with any requirement under this subtitle.

(2) The Commissioner may rely on the opinion of a qualified actuary issued while the qualified actuary was employed by or under contract with the insurance supervisory official of another state.

(g) (1) The Commissioner may require a company to change any assumption or method used by the company if, in the opinion of the Commissioner, the change is necessary to comply with the requirements of the valuation manual or this subtitle.

(2) The company shall adjust the company's reserves as required by the

Commissioner.

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