

**HOUSE BILL NO. 401**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/5/18

Referred: Labor and Commerce

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to insurance; relating to credit for reinsurance; insurance standard**  
2 **valuation; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **\* Section 1.** AS 21.12.020 is repealed and reenacted to read:

5 (a) Credit for reinsurance transactions shall be allowed a domestic ceding  
6 insurer as either an asset or a deduction from liability on account of reinsurance ceded  
7 only when the reinsurer meets the requirements of (b), (c), (d), (e), (f), or (g) of this  
8 section, provided further, that the director may adopt by regulation, under (n)(2) of  
9 this section, specific additional requirements relating to, or setting forth, the valuation  
10 of assets or reserve credits, the amount and forms of security supporting reinsurance  
11 arrangements described under (n)(2) of this section, and the circumstances under  
12 which credit will be reduced or eliminated. Credit shall be allowed under (b), (c), or  
13 (d) of this section only with respect to cessions of a kind or class of business that the  
14 assuming insurer is licensed or permitted to write or assume in its state of domicile or,

1 in the case of a United States branch of an alien assuming insurer, in the state through  
2 which it is entered and licensed to transact insurance or reinsurance. Credit shall be  
3 allowed under (d) or (e) of this section only if the applicable requirements in (h) of  
4 this section have been satisfied.

5 (b) Credit is allowed when the reinsurance is ceded to an assuming insurer that  
6 is licensed to transact insurance or reinsurance in this state.

7 (c) Credit is allowed when the reinsurance is ceded to an assuming insurer that  
8 is accredited by the director as a reinsurer in this state. An accredited reinsurer is one  
9 that

10 (1) files with the director evidence of submission to this state's  
11 jurisdiction;

12 (2) submits to this state's authority to examine its books and records;

13 (3) is licensed to transact insurance or reinsurance in at least one state  
14 that is accredited by the National Association of Insurance Commissioners, or, in the  
15 case of a United States branch of an alien admitted insurer, be entered through and  
16 licensed to transact insurance or reinsurance in at least one state that is accredited by  
17 the National Association of Insurance Commissioners;

18 (4) files annually with the director a copy of its annual statement filed  
19 with the insurance supervisory official of its state of domicile and a copy of its most  
20 recent audited financial statement; and

21 (5) demonstrates to the satisfaction of the director that it has adequate  
22 financial capacity to meet its reinsurance obligations and is otherwise qualified to  
23 assume reinsurance from domestic insurers; an assuming insurer is deemed to meet the  
24 requirement at the time of application if the assuming insurer maintains at least  
25 \$20,000,000 in policyholder surplus and whose accreditation has not been denied by  
26 the director within 90 days after application to the director.

27 (d) Credit is allowed when the reinsurance is ceded to an assuming insurer that  
28 is domiciled in a state, or, in the case of a United States branch of an alien assuming  
29 insurer, is entered through a state accredited by the National Association of Insurance  
30 Commissioners that employs standards regarding credit for reinsurance ceded  
31 substantially similar to those applicable under (b) and (c) of this section, the assuming

1 insurer maintains a policyholder surplus of at least \$20,000,000, and the assuming  
 2 insurer submits to the authority of this state to examine its books and records. The  
 3 surplus requirements in this subsection do not apply to reinsurance ceded and assumed  
 4 under a pooling arrangement among insurers in the same holding company system.

5 (e) Credit is allowed when the reinsurance is ceded to an assuming insurer that  
 6 maintains a trust fund in a qualified United States financial institution for the payment  
 7 of the valid claims of the assuming insurer's United States domiciled ceding insurers,  
 8 and their assigns and successors. The assuming insurer shall report annually to the  
 9 director information substantially the same as that required to be reported on the  
 10 National Association of Insurance Commissioners Annual Statement form by licensed  
 11 insurers. The assuming insurer shall submit to examination of its books and records by  
 12 the director and bear the expense of the examination. In addition,

13 (1) credit for reinsurance under this subsection shall be granted only if  
 14 the following requirements are met:

15 (A) the trust and each amendment to the trust is established in a  
 16 form approved by the insurance supervisory official of the state where the trust  
 17 is domiciled or the insurance supervisory official of another state who, under  
 18 the terms of the trust instrument, has accepted responsibility for regulatory  
 19 oversight of the trust;

20 (B) the form of the trust and each trust amendment is filed with  
 21 the insurance supervisory official of every state in which the beneficiaries of  
 22 the trust are domiciled;

23 (C) the trust instrument provides that contested claims are valid  
 24 and enforceable upon the final order of any court of competent jurisdiction in  
 25 the United States;

26 (D) the trust vests legal title to its assets in the trustees of the  
 27 trust for its United States domiciled ceding insurers, their assigns, and  
 28 successors in interest;

29 (E) the trust and the assuming insurer are subject to  
 30 examination as determined by the director;

31 (F) the trust remains in effect for so long as the assuming

1 insurer has outstanding liabilities due under the reinsurance agreements subject  
2 to the trust;

3 (G) on or before March 1 of each year, the trustees report in  
4 writing to the director on the balance of the trust and list the trust's investments  
5 at the end of the preceding year, and certify the date of termination of the trust,  
6 if so planned, or certify that the trust does not expire before the following  
7 December 31;

8 (2) in the case of a single assuming insurer, the trust shall consist of  
9 trust assets not less than the assuming insurer's liabilities attributable to reinsurance  
10 ceded by the United States domiciled ceding insurers and, in addition, unless excepted  
11 under (4) of this subsection, the assuming insurer shall maintain a trust surplus of not  
12 less than \$20,000,000 for the benefit of the United States domiciled ceding insurers as  
13 additional security for the liabilities covered by the trust; the single assuming insurer  
14 shall make available to the director an annual certification of the insurer's solvency by  
15 an independent certified public accountant or an accountant holding a substantially  
16 equivalent designation as determined by the director;

17 (3) at any time after the assuming insurer permanently discontinues  
18 underwriting new business secured by a trust for not less than three years, the  
19 insurance supervisory official with principal regulatory oversight of the trust may  
20 authorize a reduction in the required trusteed surplus if, based on an assessment of the  
21 risk, the insurance supervisory official finds that the new required surplus level is  
22 adequate for the protection of United States domiciled ceding insurers, policyholders,  
23 and claimants in light of reasonably foreseeable adverse loss development; the risk  
24 assessment may involve an actuarial review, including an independent analysis of  
25 reserves and cash flows, and must consider all material risk factors, including, when  
26 applicable, the lines of business involved, the stability of the incurred loss estimates,  
27 and the effect of the surplus requirements on the assuming insurer's liquidity or  
28 solvency; the minimum required trusteed surplus may not be reduced to an amount  
29 less than 30 percent of the assuming insurer's liabilities attributable to reinsurance  
30 ceded by United States domiciled ceding insurers covered by the trust;

31 (4) in the case of a group, including incorporated and individual

1 unincorporated insurers, the trust shall consist of

2 (A) for reinsurance ceded under the reinsurance agreements  
3 with an inception, amendment, or renewal date on or after January 1, 1993, a  
4 trustee account in an amount not less than the respective insurers' several  
5 liabilities attributable to business ceded by United States domiciled ceding  
6 insurers to any insurer of the group;

7 (B) for reinsurance ceded under reinsurance agreements with  
8 an inception date on or before December 31, 1992, and not amended or  
9 renewed after that date, notwithstanding the other provisions of this section, a  
10 trustee account not less than the respective insurers' several insurance and  
11 reinsurance liabilities attributable to business written in the United States; and

12 (C) in addition to the applicable trust described in (A) or (B) of  
13 this paragraph, trust assets representing the group's liabilities attributable to  
14 business ceded by United States domiciled ceding insurers and, in addition,  
15 shall include a trust with a surplus not less than \$100,000,000 held jointly for  
16 the benefit of the United States domiciled ceding insurers of any member of  
17 the group for all years of account as additional security for the group's  
18 liabilities covered by the trust;

19 (5) the incorporated members of the group described in (4) of this  
20 subsection may not be engaged in any business other than underwriting as a member  
21 of the group and are subject to the same level of solvency regulation and control by  
22 the group's domiciliary regulator as are the unincorporated members; within 90 days  
23 after its financial statements are due to be filed with the group's domiciliary regulator,  
24 the group shall make available to the director an annual certification of the solvency of  
25 each insurer by the group's domiciliary regulator or, if the certification is unavailable,  
26 financial statements, prepared by an independent certified public accountant, or an  
27 accountant holding a substantially equivalent designation as determined by the  
28 director, for each underwriter member of the group;

29 (6) in the case of a group of incorporated insurers under common  
30 administration that has continuously transacted an insurance business outside the  
31 United States for at least three years immediately before making application for

1 accreditation and that has aggregate policyholders' surplus of \$10,000,000,000 or  
 2 more, the trust shall consist of trust assets in an amount not less than the group's  
 3 several liabilities attributable to business ceded by United States domiciled ceding  
 4 insurers to a member of the group under reinsurance contracts issued in the name of  
 5 the group, and the group shall maintain a joint trustee surplus, of which \$100,000,000  
 6 shall be held jointly for the benefit of United States domiciled ceding insurers of a  
 7 member of the group as additional security for the group's liabilities covered by the  
 8 trust, and, not later than 90 days after its financial statements are due to be filed with  
 9 the group's domiciliary regulator, each member of the group shall make available to  
 10 the director an annual certification of the underwriter member's solvency by the  
 11 member's domiciliary regulator and financial statement of each underwriter member  
 12 prepared by its independent certified public accountant, or an accountant holding a  
 13 substantially equivalent designation as determined by the director.

14 (f) Credit is allowed when reinsurance is ceded to an assuming insurer that is  
 15 certified by the director as a reinsurer in this state and secures its obligations in  
 16 accordance with the following requirements:

17 (1) to be eligible for certification, an assuming insurer shall

18 (A) be domiciled and licensed to transact insurance or  
 19 reinsurance in a qualified jurisdiction;

20 (B) maintain minimum capital and surplus, or its equivalent, in  
 21 an amount set out in regulations adopted by the director;

22 (C) maintain financial strength ratings from two or more rating  
 23 agencies deemed acceptable under regulations adopted by the director;

24 (D) agree to submit to the jurisdiction of this state and agree to  
 25 provide security for 100 percent of the assuming insurer's liabilities attributable  
 26 to reinsurance ceded by United States domiciled ceding insurers if the  
 27 assuming insurer resists enforcement of a final United States judgment;

28 (E) agree to meet applicable information filing requirements as  
 29 determined by the director, both with respect to an initial application for  
 30 certification and on an ongoing basis; and

31 (F) satisfy other requirements for certification deemed relevant

1 by the director;

2 (2) an association, including an incorporated underwriter and an  
3 individual unincorporated underwriter, may be a certified reinsurer; to be eligible for  
4 certification, in addition to satisfying the requirements under (1) of this subsection, an  
5 association shall

6 (A) satisfy the association's minimum capital and surplus  
7 requirements through the capital and surplus equivalents, net of liabilities, of  
8 the association and the association's members, which must include a joint  
9 central fund that may be applied to any unsatisfied obligation of the association  
10 or a member of the association, in an amount determined by the director to  
11 provide adequate protection;

12 (B) not engage in any business other than underwriting as a  
13 member of the association and be subject to the same level of regulation and  
14 solvency control by the association's domiciliary regulator as are the  
15 unincorporated members; and

16 (C) not later than 90 days after the association's financial  
17 statements are filed with the association's domiciliary regulator, provide to the  
18 director an annual certification by the association's domiciliary regulator of the  
19 solvency of each underwriter member, or, if a certification is unavailable,  
20 financial statements prepared by independent public accountants of each  
21 underwriter member of the association;

22 (3) the director shall create and publish a list of qualified jurisdictions,  
23 under which an assuming insurer licensed and domiciled in a qualifying jurisdiction is  
24 eligible to be considered for certification by the director as a certified reinsurer, and  
25 subject to the following:

26 (A) in order to determine whether the domiciliary jurisdiction  
27 of a non-United States assuming insurer is eligible to be recognized as a  
28 qualified jurisdiction, the director shall evaluate the appropriateness and  
29 effectiveness of the reinsurance supervisory system of the jurisdiction, both  
30 initially, and on an ongoing basis, and consider the rights, benefits, and the  
31 extent of reciprocal recognition afforded by the non-United States jurisdiction

1 to reinsurers licensed and domiciled in the United States; a qualified  
2 jurisdiction shall agree to share information and cooperate with the director  
3 with respect to all certified reinsurers domiciled within that jurisdiction; the  
4 director shall not recognize a jurisdiction as a qualified jurisdiction if the  
5 director determines that the jurisdiction does not adequately and promptly  
6 enforce final United States judgments and arbitration awards; the director may  
7 consider additional factors when making an eligibility determination under this  
8 paragraph;

9 (B) the director shall consider the list of qualified jurisdictions  
10 published through the committee process of the National Association of  
11 Insurance Commissioners; if the director approves a jurisdiction as qualified  
12 that does not appear on the list of qualified jurisdictions, the director shall  
13 provide a thoroughly documented justification in accordance with criteria set  
14 out in regulations adopted by the director;

15 (C) the director shall recognize a United States jurisdiction that  
16 meets the requirement for accreditation under the National Association of  
17 Insurance Commissioners financial standards and accreditation program as a  
18 qualified jurisdiction;

19 (D) the director, in lieu of revocation, may suspend a  
20 reinsurer's certification indefinitely if the certified reinsurer's domiciliary  
21 jurisdiction ceases to be a qualified jurisdiction;

22 (4) the director shall assign a rating to each certified reinsurer giving  
23 due consideration to the financial strength ratings that have been assigned by rating  
24 agencies deemed acceptable under regulations adopted by the director;

25 (5) a certified reinsurer shall secure obligations assumed from United  
26 States domiciled ceding insurers under this subsection at a level consistent with the  
27 reinsurer's rating, as specified under regulations adopted by the director and by the  
28 following:

29 (A) in order for a domestic ceding insurer to qualify for full  
30 financial statement credit for reinsurance ceded to a certified reinsurer, the  
31 certified reinsurer shall maintain security in a form acceptable to the director

1 and consistent with the provisions in (l) of this section, or in a multibeneficiary  
2 trust, in accordance with (e) of this section, except as otherwise provided in  
3 this subsection;

4 (B) if a certified reinsurer maintains a trust to fully secure the  
5 reinsurer's obligations subject to (e) of this section, and chooses to secure its  
6 obligations incurred as a certified reinsurer in the form of a multibeneficiary  
7 trust, the certified reinsurer shall maintain separate trust accounts for its  
8 obligations incurred under reinsurance agreements issued or renewed as a  
9 certified reinsurer with reduced security as permitted under this subsection or  
10 comparable laws of other United States jurisdictions and for its obligations  
11 subject to (e) of this section; a certified reinsurer, as a condition to the grant of  
12 certification under (f) of this section shall bind itself, by the language of the  
13 trust and agreement with the insurance supervisory official with principal  
14 regulatory oversight of each trust account, to fund, upon termination of any  
15 trust account, out of the remaining surplus of the trust any deficiency of any  
16 other trust account;

17 (C) the minimum trustee surplus requirements under (e) of  
18 this section are not applicable with respect to a multibeneficiary trust  
19 maintained by a certified reinsurer for the purpose of securing obligations  
20 incurred under this subsection, except that the multibeneficiary trust shall  
21 maintain a minimum trustee surplus of \$10,000,000;

22 (D) if the obligations incurred by a certified reinsurer under this  
23 subsection are insufficiently secured, the director shall reduce the allowable  
24 credit by an amount proportionate to the deficiency and may impose further  
25 reductions in allowable credit if the director finds there is a material risk that  
26 the certified reinsurer's obligations will not be paid in full when due;

27 (E) for purposes of this subparagraph, a certified reinsurer  
28 whose certification is terminated for any reason shall be treated as a certified  
29 reinsurer required to secure 100 percent of the reinsurer's obligations,  
30 provided, however, that if the director continues to assign a higher rating as  
31 permitted under other provisions of this section, the requirement to secure 100

1 percent of the reinsurer's obligations shall not apply to a certified reinsurer in  
2 inactive status or to a reinsurer whose certification has been suspended; in this  
3 subparagraph, "terminated" means revocation, suspension, voluntary surrender,  
4 or inactive status;

5 (6) if an applicant for certification is certified as a reinsurer in a  
6 jurisdiction accredited by the National Association of Insurance Commissioners, the  
7 director may defer to that jurisdiction's certification and to the rating assigned to the  
8 applicant by the jurisdiction; the assuming insurer shall be considered to be a certified  
9 reinsurer in this state;

10 (7) a certified reinsurer that ceases to assume new business in this state  
11 may request to maintain its certification in inactive status in order to continue to  
12 qualify for a reduction in security for its in-force business; an inactive certified  
13 reinsurer shall continue to comply with all applicable requirements of this subsection,  
14 and the director shall assign a rating that takes into account, if relevant, the reasons  
15 why the reinsurer is not assuming new business.

16 (g) Credit is allowed when reinsurance is ceded to an assuming insurer that  
17 does not meet the requirements of (b), (c), (d), (e), or (f) of this section, but only to the  
18 insurance of risks located in jurisdictions where the reinsurance is required by  
19 applicable law or regulation of that jurisdiction.

20 (h) If the assuming insurer is not licensed, accredited, or certified to transact  
21 insurance or reinsurance in this state, the credit permitted by (d) and (e) of this section  
22 is not allowed unless the assuming insurer agrees in the reinsurance agreements

23 (1) that in the event of the failure of the assuming insurer to perform its  
24 obligations under the terms of the reinsurance agreement, the assuming insurer, at the  
25 request of the ceding insurer, shall submit to the jurisdiction of a court of competent  
26 jurisdiction in a state of the United States, will comply with all requirements necessary  
27 to give the court jurisdiction and will abide by the final decision of the court or of an  
28 appellate court in the event of an appeal; and

29 (2) to designate the director or an attorney resident in the United States  
30 as its true and lawful attorney upon whom may be served lawful process in an action,  
31 suit, or proceeding instituted by or on behalf of the ceding insurer; nothing in this

1 subsection shall be construed to conflict with or override the obligation of the parties  
2 to a reinsurance agreement to arbitrate their disputes, if this obligation is created in the  
3 agreement.

4 (i) If the assuming insurer does not meet the requirements of (b), (c), or (d) of  
5 this section, the credit permitted under (e) or (f) of this section is not allowed unless  
6 the assuming insurer agrees in the trust agreements to the following conditions:

7 (1) notwithstanding any other provision in the trust instrument, if the  
8 trust fund is inadequate because it contains an amount less than the amount required  
9 under (e)(2) - (5) of this section, or if the grantor of the trust is declared insolvent or is  
10 placed into receivership, rehabilitation, liquidation, or similar proceedings under the  
11 laws of the state or country of domicile, the trustee shall comply with an order of the  
12 insurance supervisory official with regulatory oversight over the trust or with an order  
13 of a court of competent jurisdiction directing the trustee to transfer to the insurance  
14 supervisory official with regulatory oversight all of the assets of the trust fund;

15 (2) the assets shall be distributed by, and all claims shall be filed with  
16 and valued by, the insurance supervisory official with regulatory oversight in  
17 accordance with the laws of the state in which the trust is domiciled that are applicable  
18 to the liquidation of a domestic insurer;

19 (3) if the insurance supervisory official regulatory oversight  
20 determines that the assets of the trust fund or any part thereof are not necessary to  
21 satisfy the claims of the United States domestic ceding insurers of the grantor of the  
22 trust, the assets or part thereof shall be returned by the insurance supervisory official  
23 with regulatory oversight to the trustee for distribution in accordance with the trust  
24 agreement;

25 (4) the grantor shall waive any right otherwise available to it under  
26 United States law that is inconsistent with this subsection.

27 (j) The director, under the following procedures, may suspend or revoke a  
28 reinsurer's accreditation or certification if the accredited or certified reinsurer ceases to  
29 meet the requirements for accreditation or certification:

30 (1) the director shall give the reinsurer notice and opportunity for a  
31 hearing under AS 21.06.170 - 21.06.230; the suspension or revocation may not take

1 effect until after the director's order on the hearing unless

2 (A) the reinsurer waives its right to a hearing;

3 (B) the director's order is based on a regulatory action by the  
4 reinsurer's domiciliary jurisdiction or the voluntary surrender or termination of  
5 the reinsurer's eligibility to transact insurance or reinsurance business in its  
6 domiciliary jurisdiction or in the primary certifying state of the reinsurer under  
7 (f)(6) of this section; or

8 (C) the director finds that an emergency requires immediate  
9 action and a court of competent jurisdiction has not stayed the director's action;

10 (2) while a reinsurer's accreditation or certification is suspended, no  
11 reinsurance contract issued or renewed by the reinsurer after the effective date of the  
12 suspension qualifies for credit except to the extent that the reinsurer's obligations  
13 under the contract are secured in accordance with (l) of this section; if a reinsurer's  
14 accreditation or certification is revoked, no credit for reinsurance may be granted after  
15 the effective date of the revocation except to the extent that the reinsurer's obligations  
16 under the contract are secured in accordance with (f)(5) or (l) of this section.

17 (k) A ceding insurer shall take steps to

18 (1) manage its reinsurance recoverables proportionate to its own book  
19 of business; a domestic ceding insurer shall notify the director not later than 30 days  
20 after the reinsurance recoverables from any single assuming insurer, or group of  
21 affiliated assuming insurers, exceeds 50 percent of the domestic ceding insurer's last  
22 reported surplus to policyholders, or after it is determined that reinsurance  
23 recoverables from any single assuming insurer, or group of affiliated assuming  
24 insurers, is likely to exceed this limit; the notification must demonstrate that the  
25 exposure is safely managed by the domestic ceding insurer; and

26 (2) diversify its reinsurance program; a domestic ceding insurer shall  
27 notify the director not later than 30 days after ceding to any single assuming insurer,  
28 or group of affiliated assuming insurers, more than 20 percent of the ceding insurer's  
29 gross written premium in the prior calendar year, or after it has determined that the  
30 reinsurance ceded to any single assuming insurer, or group of affiliated assuming  
31 insurers, is likely to exceed this limit; the notification must demonstrate that the

1 exposure is safely managed by the domestic ceding insurer.

2 (l) An asset or a reduction from liability, for reinsurance ceded by a domestic  
 3 insurer to an assuming insurer not meeting the requirements of (a) - (k) of this section,  
 4 shall be allowed in an amount not exceeding the liabilities carried by the ceding  
 5 insurer. In addition, the director may adopt by regulation under (n)(2) of this section  
 6 specific additional requirements relating to the valuation of assets or reserve credits,  
 7 the amount and forms of security supporting reinsurance arrangements described in  
 8 (n)(2) of this section, and the circumstances under which credit will be reduced or  
 9 eliminated. The reduction shall be equal to the amount of money held by or on behalf  
 10 of the ceding insurer, including money held in trust for the ceding insurer, under a  
 11 reinsurance contract with the assuming insurer as security for the payment of  
 12 obligations under it, if the security is held in the United States subject to withdrawal  
 13 solely by and under the exclusive control of the ceding insurer or, in the case of a trust,  
 14 held in a qualified United States financial institution. The security must be in the form  
 15 of

16 (1) cash;

17 (2) securities listed by the Securities Valuation Office of the National  
 18 Association of Insurance Commissioners, including those deemed exempt from filing  
 19 as defined by the purposes and procedures manual of the Securities Valuation Office,  
 20 and that qualify as admitted assets under AS 21.21;

21 (3) clean, irrevocable, unconditional letters of credit that contain an  
 22 evergreen clause issued or confirmed by a qualified United States financial institution  
 23 not later than December 31 in the year for which filing is made, and in the possession  
 24 of, or in trust for, the ceding insurer on or before the filing date of the ceding insurer's  
 25 annual statement;

26 (4) letters of credit meeting applicable standards of issuer acceptability  
 27 as of the dates of their issuance or confirmation shall, notwithstanding the issuing or  
 28 confirming institution's subsequent failure to meet applicable standards of issuer  
 29 acceptability, continue to be acceptable as security until their expiration, extension,  
 30 renewal, modification, or amendment, whichever occurs first; or

31 (5) other security acceptable to and approved in advance by the

1 director.

2 (m) In this section, "qualified United States financial institution" means an  
3 institution that,

4 (1) for the purposes of (l)(3) of this section,

5 (A) is organized or, in the case of a United States office of a  
6 foreign banking organization, is licensed under the laws of the United States or  
7 a state of the United States;

8 (B) is regulated, supervised, and examined by United States  
9 federal or state authorities having regulatory authority over banks and trust  
10 companies; and

11 (C) has been determined by either the director or the Securities  
12 Valuation Office of the National Association of Insurance Commissioners to  
13 meet the standards of financial condition and standing that are considered  
14 necessary and appropriate to regulate the quality of financial institutions whose  
15 letters of credit are acceptable to the director;

16 (2) for the purposes of the provisions of this section, other than (l)(3)  
17 of this section, an institution that

18 (A) is organized or, in the case of a United States branch or  
19 agency office of a foreign banking organization, licensed under the laws of the  
20 United States or a state of the United States, and has been granted authority to  
21 operate with fiduciary powers; and

22 (B) is regulated, supervised, and examined by United States  
23 federal or state authorities having regulatory authority over banks and trust  
24 companies.

25 (n) The director may adopt regulations

26 (1) to implement this section; and

27 (2) relating to reinsurance arrangements as follows:

28 (A) a regulation adopted under this paragraph may apply only  
29 to reinsurance relating to

30 (i) a life insurance policy with guaranteed nonlevel  
31 gross benefits;

1 (ii) a universal life insurance policy with provisions  
 2 resulting in the ability of a policyholder to keep a policy in force over a  
 3 secondary guaranteed period;

4 (iii) a variable annuity with guaranteed death or living  
 5 benefits;

6 (iv) a long-term care insurance policy; or

7 (v) other life insurance, health insurance, and annuity  
 8 products of which the National Association of Insurance  
 9 Commissioners adopts model regulatory requirements with respect to  
 10 credit for reinsurance;

11 (B) a regulation adopted under (A)(i) or (ii) of this paragraph  
 12 applies to a treaty containing a policy issued

13 (i) on or after January 1, 2015; and

14 (ii) before January 1, 2015, if the risk pertaining to the  
 15 policy is ceded in connection with the treaty, in whole or in part, on or  
 16 after January 1, 2015; in this subparagraph, "treaty" means a contract in  
 17 which a reinsurance company agrees to accept and an insurance  
 18 company agrees to cede, all of a particular type of risk within a specific  
 19 class of insurance policies;

20 (C) the director may adopt a regulation under this paragraph to  
 21 require a ceding insurer, in calculating the amounts or forms of security  
 22 required to be held under regulations adopted under the authority of this  
 23 paragraph, to use the edition of the valuation manual adopted by the National  
 24 Association of Insurance Commissioners in effect on the date of which the  
 25 calculation is made, to the extent applicable;

26 (D) a regulation adopted under this paragraph is not applicable  
 27 to cessions to an assuming insurer that is certified in this state or meets the  
 28 following criteria:

29 (i) maintains at least \$250,000,000 in capital and  
 30 surplus when determined in accordance with the most recent edition of  
 31 the National Association of Insurance Commissioner's Accounting

1 Practices and Procedures Manual, including the impact of any  
2 permitted or prescribed practices; and

3 (ii) is licensed in not less than 26 states, or licensed in  
4 not less than 10 states and licensed or accredited in a total of not less  
5 than 35 states;

6 (E) nothing in this paragraph limits the director's authority to  
7 adopt regulations under (1) of this subsection.

8 \* **Sec. 2.** AS 21.18.110(a) is amended to read:

9 (a) The director shall annually value, or cause to be valued, the reserve  
10 liabilities (hereinafter called reserves) for all outstanding life insurance policies,  
11 [AND] annuity and pure endowment contracts, **and deposit-type contracts** of every  
12 life insurer doing business in this state **issued before the operative date of the**  
13 **valuation manual described in AS 21.18.112** [, AND MAY CERTIFY THE  
14 AMOUNT OF THE RESERVES, SPECIFYING THE MORTALITY TABLE OR  
15 TABLES, RATE OR RATES OF INTEREST, AND METHODS (NET LEVEL  
16 PREMIUM METHOD OR OTHER) USED IN THE CALCULATION OF THE  
17 RESERVES]. In calculating the reserves **for policies and contracts issued before the**  
18 **operative date of the valuation manual described in AS 21.18.112**, the director may  
19 use group methods and approximate averages for fractions of a year or otherwise. For  
20 an alien insurer, the valuation shall be limited to **the alien insurer's** [ITS] insurance  
21 transactions in the United States. For the purpose of making the valuation the director  
22 may employ a **qualified** [COMPETENT] actuary who shall be paid by the insurer for  
23 which the service is rendered. For a foreign or alien insurer, the director may accept,  
24 in lieu of the valuation of the reserves required of a foreign or alien insurer, a  
25 valuation made, or caused to be made, by the insurance supervisory official of a state  
26 or other jurisdiction if the valuation complies with the minimum standard provided in  
27 this section. **The provisions in this section provide for the minimum standard for**  
28 **the valuation of reserves for policies and contracts subject to this section and are**  
29 **applicable to a policy and contract issued before the operative date of the**  
30 **valuation manual described in AS 21.18.112** [AND IF THE OFFICIAL OF THE  
31 STATE OR JURISDICTION ACCEPTS AS SUFFICIENT AND VALID FOR ALL

1 LEGAL PURPOSES THE CERTIFICATE OF VALUATION OF THE DIRECTOR  
 2 WHEN THE CERTIFICATE STATES THE VALUATION WAS MADE IN A  
 3 SPECIFIED MANNER IN WHICH THE AGGREGATE RESERVES WOULD BE  
 4 AT LEAST AS LARGE AS IF THEY HAD BEEN COMPUTED IN THE MANNER  
 5 PRESCRIBED BY THE LAW OF THAT STATE OR JURISDICTION]. An insurer  
 6 that **has** [AT ANY TIME] adopted a standard of valuation producing greater  
 7 aggregate reserves than those calculated according to the minimum standard provided  
 8 in this section may, with the approval of the director, adopt a lower standard of  
 9 valuation, but not lower than the minimum provided in this section.

10 \* **Sec. 3.** AS 21.18.110(b) is amended to read:

11 (b) This subsection applies to only those policies and contracts issued on or  
 12 after the operative date of AS 21.45.300 except as [OTHERWISE] provided in **(c) -**  
 13 **(k)** [(c)] of this section, [AND] (5) **and (6)** of this subsection for group annuity and  
 14 pure endowment contracts issued before that operative date, **and AS 21.18.112(b)**:

15 (1) Except as [OTHERWISE] provided in **(c) - (k)** [(c)] of this section,  
 16 [AND] (5) **and (6)** of this subsection, **and AS 21.18.112(b)**, the minimum standard  
 17 for the valuation of all these policies and contracts shall be the commissioner's reserve  
 18 evaluation methods defined in **(2)(A) and (B)** [(2)], (4), and (7) of this subsection, **and**  
 19 **AS 21.18.112(b)**, three and one-half percent interest, or in the case of policies and  
 20 contracts, other than annuity and pure endowment contracts, issued on or after July 1,  
 21 1978, five and one-half percent interest for single premium life insurance policies and  
 22 four and one-half percent interest for all other policies, and the following tables:

23 (A) for all ordinary policies of life insurance issued on the  
 24 standard basis, excluding disability and accidental death benefits in the policies  
 25 - the Commissioner's 1958 Standard Ordinary Mortality Table, for policies  
 26 issued before the operative date of AS 21.45.300(w), of the Standard  
 27 Nonforfeiture Law for Life Insurance as amended, except that for a category of  
 28 policies issued on female risks, all modified net premiums and present values,  
 29 referred to in (2) of this subsection may be calculated according to an age not  
 30 more than six years younger than the actual age of the insured; and for policies  
 31 issued on or after the operative date of AS 21.45.300(w) of the Standard

1 Nonforfeiture Law for Life Insurance as amended

2 (i) the Commissioner's 1980 Standard Ordinary  
3 Mortality Table, or

4 (ii) at the election of the insurer for any one or more  
5 specified plans of life insurance, the Commissioner's 1980 Standard  
6 Ordinary Mortality Table with 10-year Select Mortality Factors, or

7 (iii) any ordinary mortality table, adopted after 1980 by  
8 the National Association of Insurance Commissioners, that is approved  
9 by regulation promulgated by the director for use in determining the  
10 minimum standard of valuation for the policies;

11 (B) for all industrial life insurance policies issued on the  
12 standard basis, excluding disability and accidental death benefits in the policies  
13 - the 1941 Standard Industrial Mortality Table for the policies issued before the  
14 operative date of AS 21.45.300(l), of the Standard Nonforfeiture Law for Life  
15 Insurance as amended, and for the policies issued on or after April 7, 1984, the  
16 Commissioner's 1961 Standard Industrial Mortality Table or any industrial  
17 mortality table, adopted after 1980 by the National Association of Insurance  
18 Commissioners that is approved by regulation promulgated by the director for  
19 use in determining the minimum standard of valuation for such policies;

20 (C) for individual annuity and pure endowment contracts,  
21 excluding disability and accidental death benefits in the policies - the 1937  
22 Standard Annuity Mortality Table, or, at the option of the insurer, the Annuity  
23 Mortality Table for 1949, ultimate, or any modification of either of these tables  
24 approved by the director;

25 (D) for group annuity and pure endowment contracts,  
26 excluding disability and accidental death benefits in the policies - the Group  
27 Annuity Mortality Table for 1951, any modification of the table approved by  
28 the director, or, at the option of the insurer, any of the tables or modification of  
29 tables specified for individual annuity and pure endowment contracts;

30 (E) for total and permanent disability benefits in or  
31 supplementary to ordinary policies or contracts - the tables of period 2

1           disablement rates and the 1930 to 1950 termination rates of the 1952 disability  
 2           study of the society of actuaries, with due regard to the type of benefit or any  
 3           table of disablement and termination rates adopted after 1980 by the National  
 4           Association of Insurance Commissioners that are approved by regulation  
 5           adopted by the director for use in determining the minimum standard of  
 6           valuation for the policies; the table shall, for active lives, be combined with a  
 7           mortality table permitted for calculating the reserves for life insurance policies;

8                       (F) for accidental death benefits in or supplementary to policies  
 9           - the 1959 Accidental Death Benefits Table or any accidental death benefits  
 10          table adopted after 1980 by the National Association of Insurance  
 11          Commissioners that is approved by regulation adopted by the director for use  
 12          in determining the minimum standard of valuation for the policies combined  
 13          with a mortality table permitted for calculating the reserves for life insurance  
 14          policies;

15                      (G) for group life insurance, life insurance issued on the  
 16          substandard basis and other special benefits - tables approved by the director.

17                      (2) Except as otherwise provided in (4) and (7) of this subsection,  
 18          reserves according to the commissioner's reserve valuation method, for the life  
 19          insurance and endowment benefits of policies providing for a uniform amount of  
 20          insurance and requiring the payment of uniform premiums, shall be the excess, if any,  
 21          of the present value, at the date of valuation, of the future guaranteed benefits  
 22          provided for by the policies, over the then present value of any future modified net  
 23          premiums; the modified net premiums for the policy shall be the uniform percentage  
 24          of the respective contract premiums for the benefits that the present value, at the date  
 25          of issue of the policy, of all the modified net premiums shall be equal to the sum of the  
 26          then present value of the benefits provided for by the policy and the excess of (A) over  
 27          (B), as follows:

28                      (A) a net level annual premium equal to the present value, at  
 29          the date of issue, of the benefits provided for after the first policy year, divided  
 30          by the present value, at the date of issue of an annuity of one a year payable on  
 31          the first and each subsequent anniversary of the policy on which a premium

1 falls due; however, the net level annual premium may not exceed the net level  
 2 annual premium on the 19-year premium whole life plan for insurance of the  
 3 same amount at an age one year higher than the age at issue of the policy;

4 (B) a net one-year term premium for the benefits provided for  
 5 in the first policy year; notwithstanding this paragraph, for a life insurance  
 6 policy issued on or after January 1, 1987 for which the contract premium in the  
 7 first policy year exceeds that of the second year and for which no comparable  
 8 additional benefit is provided in the first year for the excess premium and that  
 9 provides an endowment benefit or a cash surrender value or a combination of  
 10 these in an amount greater than the excess premium, the reserve according to  
 11 the commissioner's reserve valuation method as of a policy anniversary  
 12 occurring on or before the assumed ending date, except as otherwise provided  
 13 in (4) of this subsection, shall be the greater of the reserve as of the policy  
 14 anniversary calculated as described in (2)(A) of this subsection and the reserve  
 15 as of the policy anniversary; the reserve shall be calculated as described in  
 16 (2)(A) of this subsection, except

17 (i) the present value shall be reduced by 15 percent of  
 18 the amount of the excess first year premium,

19 (ii) all present values of benefits and premiums shall be  
 20 determined without reference to premiums or benefits provided for by  
 21 the policy after the assumed ending date,

22 (iii) the policy shall be assumed to mature on the  
 23 assumed ending date as an endowment, and

24 (iv) the cash surrender value provided on the assumed  
 25 date shall be considered as an endowment benefit; in making the  
 26 comparison in this subparagraph the mortality and interest bases stated  
 27 in paragraphs (4) and (6) of this subsection and subsection (c) shall be  
 28 used; in this subparagraph the assumed ending date is the first policy  
 29 anniversary on which the sum of the endowment benefit and cash  
 30 surrender value then available is greater than the excess premium;

31 (C) reserves according to the commissioner's reserve valuation

1 method for

2 (i) life insurance policies providing for a varying  
3 amount of insurance or requiring the payment of varying premiums,

4 (ii) group annuity and pure endowment contracts  
5 purchased under a retirement plan or plan of deferred compensation,  
6 established or maintained by an employer (including a partnership or  
7 sole proprietorship) or by an employee organization, or by both, other  
8 than a plan providing individual retirement accounts or individual  
9 retirement annuities under 26 U.S.C. 408 (Internal Revenue Code), as  
10 amended,

11 (iii) disability and accidental death benefits in all  
12 policies and contracts,

13 (iv) all other benefits, except life insurance and  
14 endowment benefits in life insurance policies and benefits provided by  
15 all other annuity and pure endowment contracts, shall be calculated by  
16 a method consistent with the principles of (2) of this subsection, except  
17 that any extra premiums charged because of impairments or special  
18 hazards shall be disregarded in the determination of modified net  
19 premiums;

20 (3) Reserves for any category of policies, contracts or benefits as  
21 established by the director, may be calculated at the option of the insurer according to  
22 standards which produce greater aggregate reserves for the category than those  
23 calculated according to the minimum standard provided in this section, but the rate or  
24 rates of interest used for policies and contracts, other than annuity and pure  
25 endowment contracts, may not be higher than the corresponding rate or rates of  
26 interest used in calculating nonforfeiture benefits provided for in the policy or  
27 contract.

28 (4) If in any contract year the gross premium charged by a life insurer  
29 on a policy or contract is less than the valuation net premium for the policy or contract  
30 calculated by the method used in calculating the reserve on the policy or contract but  
31 using the minimum valuation standards of mortality and rate of interest, the minimum

1 reserve required for that policy or contract shall be the greater of either the reserve  
 2 calculated according to the mortality table, rate of interest, and method actually used  
 3 for the policy or contract, or the reserve calculated by the method actually used for the  
 4 policy or contract but using the minimum valuation standards of mortality and rate of  
 5 interest and replacing the valuation net premium by the actual gross premium in each  
 6 contract year for which the valuation net premium exceeds the actual gross premium.  
 7 In this paragraph, the minimum valuation standards of mortality and rate of interest  
 8 are those standards referred to in (b) and (c) of this section. Notwithstanding this  
 9 paragraph, for a life insurance policy issued on or after January 1, 1987, for which the  
 10 gross premium in the first policy year exceeds that of the second year and for which  
 11 no comparable additional benefit is provided in the first year for the excess premium  
 12 and that provides an endowment benefit or a cash surrender value or a combination of  
 13 these in an amount greater than the excess premium, the provisions of this paragraph  
 14 shall be applied as if the method used in calculating the reserve for such a policy were  
 15 based on a net one-year term premium for the benefits provided for in the first policy  
 16 year. The minimum reserve at each policy anniversary of such a policy shall be the  
 17 greater of the minimum reserve calculated under (2)(B) of this subsection, and the  
 18 minimum reserve calculated under this paragraph.

19 (5) Except as provided in **(c) - (k) of this section** [(C) OF THIS  
 20 PARAGRAPH], the minimum standard for the valuation of all individual annuity and  
 21 pure endowment contracts issued on or after the operative date of this paragraph as set  
 22 out in (6) of this subsection and for all annuities and pure endowments purchased on  
 23 or after that date under group annuity and pure endowment contracts, shall be the  
 24 commissioner's reserve valuation methods defined in (2) and (7) of this subsection and  
 25 the following tables and interest rates:

26 (A) for individual single premium immediate annuity contracts,  
 27 excluding any disability and accidental death benefits in such contracts - the  
 28 1971 individual annuity mortality table or an individual annuity mortality  
 29 table, adopted after 1980 by the National Association of Insurance  
 30 Commissioners, that is approved by regulation adopted by the director for use  
 31 in determining the minimum standard of valuation for the contracts, or any

1 modification of these tables approved by the director and seven and one-half  
2 percent interest;

3 (B) for individual annuity and pure endowment contracts, other  
4 than single premium immediate annuity contracts, excluding any disability and  
5 accidental death benefits in such contracts - the 1971 individual annuity  
6 mortality table or an individual annuity mortality table, adopted after 1980 by  
7 the National Association of Insurance Commissioners, that is approved by  
8 regulation adopted by the director for use in determining the minimum  
9 standard of valuation for the contracts, or any modification of these tables  
10 approved by the director and five and one-half percent interest for single  
11 premium deferred annuity and pure endowment contracts and four and one-  
12 half percent interest for all other such individual annuity and pure endowment  
13 contracts;

14 (C) for all annuities and pure endowments purchased under  
15 group annuity and pure endowment contracts, excluding any disability and  
16 accidental death benefits purchased under such contracts - 1971 group annuity  
17 mortality table or a group annuity mortality table, adopted after 1980 by the  
18 National Association of Insurance Commissioners, that is approved by  
19 regulation adopted by the director for use in determining the minimum  
20 standard of valuation for the annuities and pure endowments, or any  
21 modification of these tables approved by the director, and seven and one-half  
22 percent interest.

23 (6) After July 1, 1978, an insurer may file with the director a written  
24 notice of its election to comply with the provisions of (5) of this subsection after a  
25 specified date before January 1, 1979, which shall be the operative date of that  
26 requirement for the insurer; however, an insurer may elect a different operative date  
27 for individual annuity and pure endowment contracts from that elected for group  
28 annuity and pure endowment contracts. If an insurer makes no election, the operative  
29 date of (5) of this subsection for the insurer is January 1, 1979.

30 (7) This paragraph applies to all annuity and pure endowment contracts  
31 other than group annuity and pure endowment contracts purchased under a retirement

1 plan or plan of deferred compensation, established or maintained by an employer  
 2 (including a partnership or sole proprietorship) or by an employee organization, or by  
 3 both, other than a plan providing individual retirement annuities under 26 U.S.C. 408  
 4 (Internal Revenue Code), as amended. Reserves according to the commissioner's  
 5 annuity reserve method for benefits under annuity or pure endowment contracts,  
 6 excluding any disability and accidental death benefits in those contracts, shall be the  
 7 greatest of the respective excesses of the present values, at the date of valuation, of the  
 8 future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for  
 9 by those contracts at the end of each respective contract year, over the present value, at  
 10 the date of valuation, of any future valuation considerations derived from future gross  
 11 considerations, required by the terms of such contract, that become payable before the  
 12 end of that respective contract year. The future guaranteed benefits shall be  
 13 determined by using the mortality table, if any, and the interest rate, or rates, specified  
 14 in such contracts for determining guaranteed benefits. The valuation considerations are  
 15 the portions of the respective gross considerations applied under the terms of those  
 16 contracts to determine nonforfeiture values.

17 \* **Sec. 4.** AS 21.18.110(f) is amended to read:

18 (f) The weighting factors referred to in (c) of this section are as follows:

19 (1) Weighting factors for Life Insurance:

20 Guarantee	21 Duration:	22 Weighting
	23 Years	24 Factors
	25 10 or less	.50
	26 more than 10, but not more than 20;	.45
	27 more than 20;	.35

28 for life insurance, the guarantee duration is the maximum number of years the life  
 29 insurance can remain in force on a basis guarantee in the policy or under an option to  
 30 convert to a plan of life insurance with a premium rate or nonforfeiture value or both  
 31 which are guaranteed in the original policy;

(2) notwithstanding (3) of this subsection the weighting factor for a  
 single premium immediate annuity and for an annuity benefit involving a [IN] life

1 contingency arising from another annuity with a cash settlement option and a  
 2 guaranteed interest contract with a cash settlement option - .80;

3 (3) for annuities and guaranteed interest contracts valued on an issue  
 4 year basis:

5 Guarantee	6 Weighting Factor		
7 Duration: 8 Years	9 for Plan Type		
	10 A	11 B	12 C
13 5 or less;	.80	.60	.50
14 more than 5, but not 15 more than 10;	.75	.60	.50
16 more than 10, but not 17 more than 20;	.65	.50	.45
18 more than 20;	.45	.35	.35

19 (4) for annuities and guaranteed interest contracts valued on a change  
 20 in fund basis, the weighting factors shown in (3) of this subsection are increased by  
 21 .15 for plan type A, .25 for plan type B, and .05 for plan type C;

22 (5) for annuities and guaranteed interest contracts valued on an issue  
 23 year basis, other than those with no cash settlement options, which do not guarantee  
 24 interest on considerations received more than one year after issue or purchase and for  
 25 annuities and guaranteed interest contracts valued on a change in fund basis which do  
 26 not guarantee interest rates on considerations received more than 12 months beyond  
 27 the valuation date, the weighting factors shown in (3) of this subsection or derived in  
 28 of this subsection are increased by .05.

29 \* **Sec. 5.** AS 21.18.110(j) is amended to read:

30 (j) The reference interest rates referred to in **(d) and (e)** [(c)] of this section  
 31 are as follows:

(1) for life insurance, the lesser of the average interest rate for a period  
 of 36 months and the average interest rate for a period of 12 months, ending on  
 June 30 of the calendar year next preceding the year of issue, of Moody's Corporate  
 Bond Yield Average - Monthly Average Corporates, as published by Moody's

1 Investors Service, Inc.;

2 (2) for a single premium immediate annuity and for an annuity benefit  
3 involving a life contingency arising from another annuity with a cash settlement  
4 option and a guaranteed interest contract with a cash settlement option, the average  
5 interest rate for a period of 12 months, ending on June 30 of the calendar year of issue  
6 or year of purchase, of Moody's Corporate Bond Yield Average - Monthly Average  
7 Corporates, as published by Moody's Investors Service, Inc.;

8 (3) for other annuities with cash settlement options and guaranteed  
9 interest contracts with cash settlement options, valued on a year of issue basis, except  
10 as provided in (2) of this subsection, with a guarantee duration in excess of 10 years,  
11 the lesser of the average interest rate for a period of 36 months and the average interest  
12 rate for a period of 12 months, ending on June 30 of the calendar year of issue or  
13 purchase, of Moody's Corporate Bond Yield Average - Monthly Average Corporates,  
14 as published by Moody's Investors Service, Inc.;

15 (4) for other annuities with cash settlement options and guaranteed  
16 interest contracts with cash settlement options, valued on a year of issue basis, except  
17 as provided in (2) of this subsection, with a guarantee duration of 10 years or less, the  
18 average interest rate for a period of 12 months, ending on June 30 of the calendar year  
19 of issue or purchase, of Moody's Corporate Bond Yield Average - Monthly Average  
20 Corporates, as published by Moody's Investors Service, Inc.;

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

26 (6) for other annuities with cash settlement options and guaranteed  
27 interest contracts with cash settlement options, valued on a change in fund basis,  
28 except as provided in (2) of this subsection, the average interest rate for a period of 12  
29 months, ending on June 30 of the calendar year of the change in the fund, of Moody's  
30 Corporate Bond Yield Average - Monthly Average Corporates, as published by  
31 Moody's Investors Service, Inc.

1 \* **Sec. 6.** AS 21.18.110(q) is amended to read:

2 (q) A qualified actuary who submits an opinion under (m) of this section

3 (1) is not liable for damages to a person, other than the **insurer**  
 4 [INSURANCE COMPANY] and the director, for an act, error, omission, decision, or  
 5 conduct with respect to the actuary's opinion except in a case of fraud or wilful  
 6 misconduct;

7 (2) is subject to disciplinary action by the director; and

8 (3) shall prepare a memorandum, in form and substance acceptable to  
 9 the director, to support the actuarial opinion.

10 \* **Sec. 7.** AS 21.18.110(s) is amended to read:

11 (s) A memorandum in support of an actuarial opinion and other supporting  
 12 material provided by an insurer to the director is confidential and may not be made  
 13 public by the director or another person and is not subject to a civil subpoena, except  
 14 for the purpose of defending an action seeking damages from a person by reason of an  
 15 action required by this section. The memorandum or other material may be released by  
 16 the director with the written consent of the insurer or to the American Academy of  
 17 Actuaries upon a request stating that the memorandum or other material is required for  
 18 the purpose of a disciplinary proceeding and setting out procedures satisfactory to the  
 19 director for preserving the confidentiality of the memorandum or other material. Once  
 20 a portion of the memorandum or other material is cited by the insurer in its marketing,  
 21 is cited before a governmental agency other than a state insurance department, or is  
 22 released by the **insurer** [COMPANY] to the news media, the remainder of the  
 23 confidential memorandum or other material is no longer confidential.

24 \* **Sec. 8.** AS 21.18.110(t) is amended to read:

25 (t) An insurer's aggregate reserves for

26 (1) all life insurance policies, excluding disability and accidental death  
 27 benefits, issued on or after July 1, 1992, may not be less than the aggregate reserves  
 28 calculated under (b)(2), (4), (7), and (l) of this section, and the mortality table and  
 29 rates of interest used in calculating nonforfeiture benefits for the policies; and

30 (2) all policies, contracts, and benefits may not be less than the  
 31 aggregate reserves determined by **an appointed** [A QUALIFIED] actuary to be

1 necessary to render the opinion required under (m) of this section.

2 \* **Sec. 9.** AS 21.18.110 is amended by adding a new subsection to read:

3 (v) In this section unless the context requires otherwise, the term "insurer"  
4 means an entity that

5 (1) has written, issued, or reinsured life insurance contracts, accident  
6 and health insurance contracts, or deposit-type contracts in this state and has at least  
7 one of those policies in force or claim; or

8 (2) has written, issued, or reinsured life insurance contracts in any state  
9 and is required to hold a certificate of authority to write life insurance, accident and  
10 health insurance, or deposit-type contracts in this state.

11 \* **Sec. 10.** AS 21.18 is amended by adding a new section to read:

12 **Sec. 21.18.112. Standard valuation for policies and contracts issued on or**  
13 **after the operative date of the valuation manual.** (a) The director shall annually  
14 value, or cause to be valued, the reserve liabilities, hereinafter called reserves, for all  
15 outstanding life insurance contracts, annuity and pure endowment contracts, accident  
16 and health contracts, and deposit-type contracts of every insurer issued on or after the  
17 operative date of the valuation manual. In lieu of the valuation of the reserves required  
18 of a foreign or alien insurer, the director may accept a valuation made, or caused to be  
19 made, by the insurance supervisory official of any state or other jurisdiction when the  
20 valuation complies with the minimum standard provided in this section.

21 (b) For accident and health insurance contracts issued on or after the operative  
22 date of the valuation manual, the standard described in the valuation manual is the  
23 minimum standard of valuation required under (a) of this section. For accident and  
24 health insurance contracts issued before the operative date of the valuation manual, the  
25 minimum standard of valuation is the standard required under AS 21.18.080 -  
26 21.18.086.

27 (c) Every insurer with outstanding life insurance contracts, accident and health  
28 insurance contracts, or deposit-type contracts in the state and subject to regulation by  
29 the director shall annually submit to the director an opinion of the appointed actuary as  
30 to whether the reserves and related actuarial items held in support of a policy or  
31 contract are computed appropriately, are based on assumptions that satisfy contractual

1 provisions, are consistent with prior reported amounts, and comply with the applicable  
2 laws of the state. The valuation manual must prescribe the specifics of this opinion,  
3 including any items deemed to be necessary to its scope, as follows:

4 (1) the actuarial opinion must

5 (A) be in form and substance as specified in the valuation  
6 manual and acceptable to the director;

7 (B) be submitted with the annual statement reflecting the  
8 valuation of the reserve liabilities on or after the operative date of the valuation  
9 manual;

10 (C) apply to policies and contracts subject to this section, plus  
11 other actuarial liabilities specified in the valuation manual;

12 (D) be based on standards adopted by the Actuarial Standards  
13 Board or its successor and on additional standards prescribed in the valuation  
14 manual; and

15 (E) include, unless exempted in the valuation manual, an  
16 assessment of whether the reserves and related actuarial items held in support  
17 of the policies and contracts specified in the valuation manual, when  
18 considered in light of the assets held by an insurer with respect to the reserves  
19 and related actuarial items, including investment earnings on the assets and  
20 considerations anticipated to be received and retained under policies and  
21 contracts, adequately provide for an insurer's obligations under policies or  
22 contracts, including the benefits under and expenses associated with the  
23 policies or contracts;

24 (2) in the case of an actuarial opinion submitted by a foreign or alien  
25 insurer, the director may accept an opinion filed by the insurer with the insurance  
26 supervisory official of another state that is accredited by the National Association of  
27 Insurance Commissioners if the director determines that the opinion meets the  
28 requirements applicable to an insurer domiciled in the state;

29 (3) an appointed actuary who submits an opinion under this subsection

30 (A) is not liable for damages to a person, other than the insurer  
31 and the director, for an act, an error, an omission, a decision, or conduct with

1 respect to the appointed actuary's opinion, except in the case of fraud or wilful  
2 misconduct;

3 (B) is subject to disciplinary action by the director against the  
4 appointed actuary or the insurer; and

5 (C) shall prepare a memorandum, in form and substance  
6 acceptable to the director, to support the actuarial opinion;

7 (4) if an insurer fails to provide a supporting memorandum as  
8 requested by the director within a period specified in the valuation manual or the  
9 director determines that the supporting memorandum fails to meet the standards  
10 adopted by the valuation manual or is otherwise unacceptable to the director, the  
11 director may engage a qualified actuary, at the expense of the insurer, to review the  
12 opinion and the basis for the opinion and to prepare a supporting memorandum as  
13 required under (c)(3)(C) of this subsection.

14 (d) Except as provided under (4) or (6) of this subsection, for policies and  
15 contracts issued on or after the operative date of the valuation manual, the standard  
16 prescribed in the valuation manual is the minimum standard of valuation required  
17 under (a) of this section, as follows:

18 (1) the operative date of the valuation manual is January 1 following  
19 the effective date of this section;

20 (2) unless a change in the valuation manual specifies a later effective  
21 date, changes to the valuation manual are effective on January 1 following the date  
22 when the change to the valuation manual has been adopted by the National  
23 Association of Insurance Commissioners by an affirmative vote representing

24 (A) at least three-fourths of the members of the National  
25 Association of Insurance Commissioners voting, but not less than a majority of  
26 the total membership; and

27 (B) members of the National Association of Insurance  
28 Commissioners representing jurisdictions totaling greater than 75 percent of  
29 the direct premiums written as reported in the following annual statements  
30 most recently available before the vote in this paragraph: life, accident and  
31 health annual statements, health annual statements, or fraternal annual

1 statements;

2 (3) the valuation manual must specify all of the following:

3 (A) minimum valuation standards for and definitions of the  
4 policies or contracts subject to (a) of this section; the minimum valuation  
5 standards shall be

6 (i) the commissioner's reserve valuation method for life  
7 insurance policies and contracts, other than annuity contracts, subject to  
8 (a) of this section;

9 (ii) the commissioner's annuity reserve valuation  
10 method for annuity contracts subject to this section; and

11 (iii) minimum reserves for all other policies or contracts  
12 subject to this section;

13 (B) which policies or contracts or types of policies or contracts  
14 that are subject to the requirements of a principle-based valuation in (e) of this  
15 section and the minimum valuation standards consistent with those  
16 requirements;

17 (C) for policies and contracts subject to a principle-based  
18 valuation under (e) of this section:

19 (i) requirements for the format of reports to the director  
20 under (e)(5)(C) of this section that include information necessary to  
21 determine whether the valuation is appropriate and in compliance with  
22 this section;

23 (ii) assumptions for risks over which the insurer does  
24 not have significant control or influence;

25 (iii) procedures for corporate governance and oversight  
26 of the actuarial function and a process for appropriate waiver or  
27 modification of the procedures;

28 (D) for policies and contracts not subject to a principle-based  
29 valuation under (e) of this section, the minimum valuation standard shall

30 (i) be consistent with the minimum standard of  
31 valuation in AS 21.18.110; or

1 (ii) develop reserves, if there is no applicable minimum  
2 standard in AS 21.18.110, that quantify the benefits, guarantees, and  
3 funding associated with the contracts and their risks at a level of  
4 conservatism that reflects conditions that include unfavorable events  
5 that have a reasonable probability of occurring;

6 (E) other requirements, including those relating to reserve  
7 methods, models for measuring risk, generation of economic scenarios,  
8 assumptions, margins, use of insurer experience, risk measurement, disclosure,  
9 certifications, reports, actuarial opinions and memorandums, transition rules  
10 and internal controls; and

11 (F) the data and form of the data required under (f) of this  
12 section, directions for submitting the data, and other requirements, including  
13 data analyses and reporting of analyses;

14 (4) in the absence of a specific valuation requirement or if the director  
15 determines that a specific valuation requirement in the valuation manual is not in  
16 compliance with this section, the insurer shall, with respect to those requirements,  
17 comply with minimum valuation standards in AS 21.18.110;

18 (5) the director may engage a qualified actuary, at the expense of the  
19 insurer, to perform an actuarial examination of the insurer, to determine the  
20 appropriateness of a reserve assumption or method used by the insurer, or to review  
21 and determine an insurer's compliance with a requirement of this section; the director  
22 may rely on the opinion of a qualified actuary engaged by the director of another state,  
23 district, or territory of the United States regarding provisions contained in this section;  
24 in this paragraph, "engage" includes employ and contract;

25 (6) the director may require an insurer to change an assumption or  
26 method if the director determines the change is necessary to comply with the  
27 requirements of the valuation manual or this section, and the insurer shall adjust the  
28 reserves as required by the director.

29 (e) An insurer shall establish reserves using a principle based valuation that  
30 meets the following conditions for policies or contracts as specified in the valuation  
31 manual:

1 (1) quantify the benefits, guarantees, and funding associated with the  
2 contracts and their risks at a level of conservatism that reflects conditions that include  
3 unfavorable events that have a reasonable probability of occurring during the lifetime  
4 of the contracts and for policies or contracts with significant tail risk, that reflect  
5 conditions appropriately adverse to quantify the tail risk;

6 (2) incorporate assumptions, risk analysis methods, and financial  
7 models and management techniques that are consistent with, but not necessarily  
8 identical to, those used in the insurer's overall risk assessment process while  
9 recognizing potential differences in financial reporting structures and prescribed  
10 assumptions or methods;

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

13 (A) the assumptions are prescribed in the valuation manual;

14 (B) for assumptions that are not prescribed, the assumptions  
15 shall be established using the insurer's available experience, to the extent it is  
16 relevant and statistically credible; to the extent that data is not available,  
17 relevant, or statistically credible, the assumptions shall be established using  
18 other relevant or statistically credible experience;

19 (4) provide margins for uncertainty, including adverse deviation and  
20 estimation error, so that the greater the uncertainty the larger the margin and resulting  
21 reserve;

22 (5) for an insurer using a principle-based valuation for one or more  
23 policies or contracts subject to this subsection as specified in the valuation manual,

24 (A) establish procedures for corporate governance and  
25 oversight of the actuarial valuation function consistent with those described in  
26 the valuation manual;

27 (B) provide to the director and the board of directors an annual  
28 certification of the effectiveness of the internal controls with respect to the  
29 principle-based valuation; the controls shall be designed to ensure that all  
30 material risks inherent in the liabilities and associated assets subject to the  
31 valuation are included in the valuation and that valuations are made in

1 accordance with the valuation manual; the certification shall be based on the  
2 controls in place as of the end of the preceding calendar year;

3 (C) develop and file with the director upon request a principle-  
4 based valuation report that complies with standards prescribed in the valuation  
5 manual;

6 (6) a principle-based valuation may include a prescribed formulaic  
7 reserve component.

8 (f) An insurer shall submit mortality, morbidity, policyholder behavior, or  
9 expense experience and other data as prescribed in the valuation manual.

10 (g) In this section,

11 (1) except as provided in this subsection, an insurer's confidential  
12 information is not a public record under AS 40.25.100 - 40.25.295, except that, the  
13 director may use the confidential information in any regulatory or legal action brought  
14 against the insurer as a part of the director's official duties;

15 (2) the director or another person who received confidential  
16 information while acting under the authority of the director is not permitted or  
17 required to testify in any private civil action concerning the confidential information;

18 (3) in order to assist in the performance of the director's duties, the  
19 director may share confidential information

20 (A) with other state, federal, and international regulatory  
21 agencies and with the National Association of Insurance Commissioners and  
22 its affiliates and subsidiaries; and

23 (B) in the case of confidential information specified in (i)(1)(A)  
24 and (4) of this section, with the Actuarial Board for Counseling and Discipline  
25 or its successor upon request stating that the confidential information is  
26 required for the purpose of professional disciplinary proceedings and with  
27 state, federal, and international law enforcement officials;

28 (C) under (A) and (B) of this paragraph only if the recipient  
29 agrees and has the legal authority to agree to maintain the confidentiality and  
30 privileged status of the documents, materials, data, and other information in the  
31 same manner and to the same extent required for the director;

1                   (4) the director may receive documents, materials, data, and other  
2 information, including otherwise confidential and privileged documents, materials,  
3 data, or information from the National Association of Insurance Commissioners and  
4 its affiliates and subsidiaries, from regulatory or law enforcement officials of other  
5 foreign or domestic jurisdictions, and from the Actuarial Board for Counseling and  
6 Discipline or its successor and shall maintain as confidential or privileged any  
7 document, material, data, or other information received with notice or the  
8 understanding that the document material, data, or information is confidential or  
9 privileged under the laws of the jurisdiction that is the source of the document,  
10 material, data, or other information;

11                   (5) the director may enter into agreements governing the sharing and  
12 use of information consistent with this section;

13                   (6) a disclosure to the director under this section or sharing  
14 confidential information as authorized in (3) of this subsection does not constitute a  
15 waiver of a claim of confidentiality.

16                   (h) Notwithstanding (g) of this section, confidential information specified in  
17 (i)(1)(A) and (D) of this section

18                   (1) may be subject to subpoena for the purpose of defending an action  
19 seeking damages from the appointed actuary submitting the related memorandum in  
20 support of an opinion submitted under (c) of this section or principle-based valuation  
21 report developed under (e)(5)(C) of this section because of an action required by this  
22 section or by regulations adopted under this section;

23                   (2) may otherwise be released by the director with the written consent  
24 of the insurer; and

25                   (3) shall no longer be confidential once any portion of a memorandum  
26 in support of an opinion submitted under (c) of this section or a principle-based  
27 valuation report developed under (e)(5)(C) of this section is cited by the insurer in its  
28 marketing or is publicly volunteered to or before a governmental agency other than a  
29 state insurance department or is released by the insurer to the news media, all portions  
30 of such memorandum or report shall no longer be confidential.

31                   (i) In this section,

1 (1) "confidential information" means

2 (A) a memorandum in support of an opinion submitted under  
3 (c) of this section and documents, materials, and other information, including  
4 working papers and copies of them, created, produced, or obtained by or  
5 disclosed to the director or another person in connection with the  
6 memorandum;

7 (B) documents, materials, and other information, including  
8 working papers and copies of them, created, produced, or obtained by or  
9 disclosed to the director or another person in the course of an examination  
10 made under (d)(5) of this section; however, if an examination report or other  
11 material prepared in connection with an examination made under  
12 AS 21.06.120 - 21.06.150 is not held as private and confidential information  
13 under AS 21.06.120 - 21.06.150, an examination report or other material  
14 prepared in connection with an examination made under (d)(5) of this section  
15 is not confidential information to the same extent as if the examination report  
16 or other material had been prepared under AS 21.06.120 - 21.06.150;

17 (C) reports, documents, materials, and other information  
18 developed by an insurer in support of or in connection with an annual  
19 certification by the insurer under (e)(5)(B) of this section evaluating the  
20 effectiveness of the insurer's internal controls with respect to a principle-based  
21 valuation and other documents, materials, and other information, including  
22 working papers and copies of them, created, produced, or obtained by or  
23 disclosed to the director or another person in connection with the reports,  
24 documents, materials, and other information;

25 (D) a principle-based valuation report developed under  
26 (e)(5)(C) of this section and other documents, materials, and other information,  
27 including working papers and copies of them, created, produced, or obtained  
28 by or disclosed to the director or another person in connection with the report;  
29 and

30 (E) documents, materials, data, and other information  
31 submitted by an insurer under (f) of this section, known as experience data and

1 experience material, other documents, materials, data, and other information,  
 2 including working papers and copies of them, created or produced in  
 3 connection with the experience data, or documents, materials, data, or other  
 4 information that includes any potentially insurer-identifying or personally  
 5 identifiable information that is provided to or obtained by the director together  
 6 with experience data, experience materials, and other documents, materials,  
 7 data, and other information, including working papers and copies of them,  
 8 created, produced, or obtained by or disclosed to the director or another person  
 9 in connection with the experience materials;

10 (2) "National Association of Insurance Commissioners," "law  
 11 enforcement agency," and "regulatory agency," include an employee, agent,  
 12 consultant, contractor of the regulatory agency, law enforcement agency, or National  
 13 Association of Insurance Commissioners.

14 \* **Sec. 11.** AS 21.18.900 is amended by adding new paragraphs to read:

15 (8) "accident and health insurance" means a contract that incorporates  
 16 morbidity risk and provides protection against economic loss resulting from accident,  
 17 sickness, or a medical condition or a contract as may be specified in the valuation  
 18 manual;

19 (9) "appointed actuary" means a qualified actuary who is appointed in  
 20 accordance with the valuation manual to prepare the actuarial opinion required in  
 21 AS 21.18.112;

22 (10) "deposit-type contract" means a contract that does not incorporate  
 23 mortality or morbidity risks or a contract specified in the valuation manual;

24 (11) "insurer" means an entity that has written, issued, or reinsured life  
 25 insurance contracts, accident and health insurance contracts, or deposit-type contracts  
 26 in

27 (A) this state and has at least one of those policies in force or  
 28 on claim; or

29 (B) another state and is required to hold a certificate of  
 30 authority to write life insurance, accident and health insurance, or deposit type  
 31 contracts in this state;

1 (12) "life insurance" means contracts that incorporate mortality risk,  
 2 including an annuity and pure endowment contract, or a contract specified in the  
 3 valuation manual;

4 (13) "policyholder behavior" means an action of a policyholder,  
 5 contract holder, or another person with the right to elect options;

6 (14) "principle-based valuation" means a reserve valuation that uses  
 7 one or more methods or one or more assumptions determined by the insurer under  
 8 AS 21.18.112(e), as specified in the valuation manual;

9 (15) "qualified actuary" means an individual who is qualified to sign  
 10 the applicable statement of actuarial opinion in accordance with the qualification  
 11 standards of the American Academy of Actuaries and who meets the requirements  
 12 specified in the valuation manual;

13 (16) "tail risk" means a risk that occurs either where the frequency of  
 14 low probability events is higher than expected under a normal probability distribution  
 15 or when there are observed events of very significant size or magnitude;

16 (17) "valuation manual" means the manual of valuation instructions  
 17 adopted by the National Association of Insurance Commissioners as specified in  
 18 AS 21.18.112(d)(1)(A).

19 \* **Sec. 12.** AS 21.45.300(a) is amended to read:

20 (a) This section shall be known as the standard nonforfeiture law for life  
 21 insurance. **For purposes of this section, "operative date of the valuation manual"**  
 22 **means January 1 of the first calendar year that the valuation manual as defined**  
 23 **in AS 21.18.112 is effective.**

24 \* **Sec. 13.** AS 21.45.300(t) is amended to read:

25 (t) The adjusted premiums and present values for a policy of ordinary  
 26 insurance referred to in this section shall be calculated on the basis of the  
 27 Commissioner's 1980 Standard Ordinary Mortality Table or, at the election of the  
 28 insurer for any one or more specified plans of life insurance, the Commissioners 1980  
 29 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors. The  
 30 adjusted premiums and present values for a policy of industrial insurance shall be  
 31 calculated on the basis of the Commissioner's 1961 Standard Industrial Mortality

1 Table. The adjusted premiums and present values for a policy issued in a particular  
 2 calendar year shall be calculated on the basis of a rate of interest not exceeding the  
 3 nonforfeiture interest rate as defined in this subsection for policies issued in that  
 4 calendar year. **However,** [PROVIDED, HOWEVER, THAT]

5 (1) at the option of the insurer, calculations for all policies issued in a  
 6 particular calendar year may be made on the basis of a rate of interest not exceeding  
 7 the nonforfeiture interest rate, as defined in this subsection, for policies issued in the  
 8 immediately preceding calendar year;

9 (2) under a paid-up nonforfeiture benefit, including a paid-up dividend  
 10 addition, a cash surrender value available, shall be calculated on the basis of the  
 11 mortality table and rate of interest used in determining the amount of the paid-up  
 12 nonforfeiture benefit and paid-up dividend additions, if any;

13 (3) an insurer may calculate the amount of a guaranteed paid-up  
 14 nonforfeiture benefit including any paid-up addition under the policy on the basis of  
 15 an interest rate **not** [NO] less than that specified in the policy for calculating cash  
 16 surrender values;

17 (4) in calculating the present value of paid-up term insurance with  
 18 accompanying pure endowment, if any, offered as nonforfeiture benefit, the rates of  
 19 mortality assumed may be not more than those shown in the Commissioner's Extended  
 20 Term Insurance Table for policies of ordinary insurance and not more than the  
 21 Commissioner's 1961 Industrial Extended Term Insurance Table for policies of  
 22 industrial insurance;

23 (5) for insurance issued on a substandard basis, the calculations of  
 24 adjusted premiums and present values may be based on appropriate modifications  
 25 mentioned above;

26 (6) **for policies issued before the operative date of the valuation**  
 27 **manual, a Commissioner's Standard Ordinary Mortality Table** [AN ORDINARY  
 28 MORTALITY TABLE], adopted after 1980 by the National Association of Insurance  
 29 Commissioners, that is approved by regulation adopted by the director for use in  
 30 determining the minimum nonforfeiture standard may be substituted for the  
 31 Commissioner's 1980 Standard Ordinary Mortality Table with or without Ten-Year

1 Select Mortality Factors or for the Commissioner's 1980 Extended Term Insurance  
 2 Table; **for policies issued on or after the operative date of the valuation manual,**  
 3 **the valuation manual shall provide the Commissioner's Standard Ordinary**  
 4 **Mortality Table for use in determining the minimum nonforfeiture standard that**  
 5 **may be substituted for the Commissioner's 1980 Standard Ordinary Mortality**  
 6 **Table with or without the Ten-Year Select Mortality Factors or for the**  
 7 **Commissioner's 1980 Extended Term Insurance Table; if the director approves**  
 8 **by regulation a Commissioner's Standard Ordinary Mortality Table adopted by**  
 9 **the National Association of Insurance Commissioners for use in determining the**  
 10 **minimum nonforfeiture standard for policies issued on or after the operative date**  
 11 **of the valuation manual, that minimum nonforfeiture standard supersedes the**  
 12 **minimum nonforfeiture provided by the valuation manual;**

13 (7) **for policies issued prior to the operative date of the valuation**  
 14 **manual, a Commissioner's Standard Industrial Mortality Table** [AN  
 15 INDUSTRIAL MORTALITY TABLE], adopted after 1980 by the National  
 16 Association of Insurance Commissioners, that is approved by regulation adopted by  
 17 the director for use in determining the minimum nonforfeiture standard may be  
 18 substituted for the Commissioner's 1961 Standard Industrial Mortality Table or the  
 19 Commissioner's 1961 Industrial Extended Term Insurance Table; **for policies issued**  
 20 **on or after the operative date of the valuation manual, the valuation manual shall**  
 21 **provide the Commissioner's Standard Ordinary Mortality Table for use in**  
 22 **determining the minimum nonforfeiture standard that may be substituted for the**  
 23 **Commissioner's 1961 Standard Industrial Mortality Table or the Commissioner's**  
 24 **1961 Extended Term Insurance Table; if the director approves by regulation a**  
 25 **Commissioner's Standard Industrial Mortality Table adopted by the National**  
 26 **Association of Insurance Commissioners for use in determining the minimum**  
 27 **nonforfeiture standard for policies issued on or after the operative date of the**  
 28 **valuation manual, that minimum nonforfeiture standard supersedes the**  
 29 **minimum nonforfeiture provided by the valuation manual; this** [. THIS]  
 30 subsection applies to all policies issued after the operative date of (w) of this section.

31 \* Sec. 14. AS 21.45.300(u) is amended to read:

1           (u) The nonforfeiture interest rate **for policies issued before the operative**  
 2 **date of the valuation manual, the nonforfeiture interest rate** a year for a policy  
 3 issued in a particular calendar year shall be equal to 125 percent of the calendar year  
 4 statutory valuation interest rate for the policy as defined in the Standard Valuation  
 5 Law, rounded to the nearer one quarter of one percent, **if the nonforfeiture interest**  
 6 **rate is not less than four percent; for policies issued on or after the operative date**  
 7 **of the valuation manual, the nonforfeiture interest rate a year for a policy issued**  
 8 **in a particular calendar year is provided by the valuation manual**. This subsection  
 9 applies to all policies issued after the operative date of (w) of this section.

10 \* **Sec. 15.** AS 21.45.300 is amended by adding a new subsection to read:

11           (dd) In this section, "operative date of the valuation manual" means the  
 12 January 1 of the first calendar year that the valuation manual described in  
 13 AS 21.18.112 is effective.

14 \* **Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to  
 15 read:

16           TRANSITION: REGULATIONS. The director of the division of insurance may adopt  
 17 regulations necessary to implement the changes made by this Act. The regulations take effect  
 18 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law  
 19 implemented by the regulation.

20 \* **Sec. 17.** This Act takes effect immediately under AS 01.10.070(c).