



# LAWS OF ALASKA

2018

**Source**  
CSHB 401(L&C)

**Chapter No.**  
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## AN ACT

Relating to insurance; relating to credit for reinsurance; relating to insurance standard valuation; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1



AN ACT

1 Relating to insurance; relating to credit for reinsurance; relating to insurance standard  
2 valuation; and providing for an effective date.

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4 \* **Section 1.** AS 21.12.020(a) is amended to read:

5 (a) Credit for reinsurance transactions **is** [SHALL BE] allowed a domestic  
6 ceding insurer as either an asset or a deduction from liability **because** [ON  
7 ACCOUNT] of reinsurance ceded only **when the reinsurer meets the requirements**  
8 **of (1) - (6) of this subsection. The director may, by regulation adopted under**  
9 **(m)(2) of this section, specify additional requirements relating to, or setting out,**  
10 **the valuation of assets or reserve credits, the amount and forms of security**  
11 **supporting reinsurance arrangements described in (m)(2) of this section, and the**  
12 **circumstances under which credit will be reduced or eliminated. Credit is**  
13 **allowed under (1) - (3) of this subsection** with respect to cessions of a kind or class  
14 of business that the assuming insurer is licensed or permitted to write or assume in its

1 state of domicile or, in the case of a United States branch of an alien assuming insurer,  
2 in the state through which it is entered and licensed to transact insurance or  
3 reinsurance. **Credit is allowed under (3) or (4) of this subsection only if the**  
4 **applicable requirements in (b) of this section have been satisfied. Credit is**  
5 **allowed when** [AND ONLY IF] the reinsurance is ceded to an **assuming insurer that**

6 (1) [ASSUMING INSURER THAT] is licensed to transact insurance  
7 or reinsurance in this state;

8 (2) [ASSUMING INSURER THAT] is accredited **by the director** as a  
9 reinsurer in this state; an accredited reinsurer is one that

10 (A) files **with the director** evidence of submission to this  
11 state's jurisdiction, submits to this state's authority to examine its books and  
12 records [UNDER AS 21.06.120], is licensed to transact insurance or  
13 reinsurance in at least one state that is accredited by the National Association  
14 of Insurance Commissioners, or, in the case of a United States branch of an  
15 alien admitted insurer, is entered through and licensed to transact insurance or  
16 reinsurance in at least one state that is accredited by the National Association  
17 of Insurance Commissioners;

18 (B) **demonstrates to the satisfaction of the director that it**  
19 **has adequate financial capacity to meet its reinsurance obligations and is**  
20 **otherwise qualified to assume reinsurance from domestic insurers; an**  
21 **assuming insurer is considered to meet the requirement at the time of**  
22 **application if the assuming insurer** maintains at least \$20,000,000 in  
23 policyholder surplus and **the assuming insurer's** [WHOSE] accreditation has  
24 not been denied by the director within 90 days after application to the director  
25 [, OR MAINTAINS LESS THAN \$20,000,000 IN POLICYHOLDER  
26 SURPLUS AND WHOSE APPLICATION FOR ACCREDITATION HAS  
27 BEEN APPROVED BY THE DIRECTOR]; and

28 (C) files annually with the director a copy of the reinsurer's  
29 annual [FINANCIAL] statement filed with the insurance **supervisory official**  
30 [DEPARTMENT] of the reinsurer's state of domicile [OR STATE OF  
31 ENTRY] and a copy of the reinsurer's most recent audited financial statement;

1 (3) [ASSUMING INSURER THAT] is domiciled in a state [,] or, in  
2 the case of a United States branch of an alien assuming insurer, is entered through a  
3 state accredited by the National Association of Insurance Commissioners that employs  
4 standards regarding credit for reinsurance ceded substantially similar to those  
5 applicable under (1) and (2) of this subsection, [THE ASSUMING INSURER]  
6 maintains a policyholder surplus of at least \$20,000,000, and [THE ASSUMING  
7 INSURER] submits to the authority of this state to examine its books and records; the  
8 surplus requirements in this paragraph do not apply to reinsurance ceded and assumed  
9 under a pooling arrangement among insurers in the same holding company system;

10 (4) [ASSUMING ALIEN INSURER THAT

11 (A)] maintains a trust fund in a qualified United States financial  
12 institution for the payment of the valid claims of **the assuming insurer's** [ITS]  
13 United States domiciled ceding insurers, and their assigns and successors;  
14 **credit for reinsurance under this paragraph shall be granted only if the**  
15 **following requirements are met** [IN INTEREST, THAT CONFORMS TO  
16 THE FOLLOWING REQUIREMENTS]:

17 **(A)** [(i)] the trust and each amendment to the trust **is** [SHALL  
18 BE] established in a form approved by the insurance supervisory official of the  
19 state where the trust is domiciled or the insurance supervisory official of  
20 another state who, under the terms of the trust instrument, has accepted  
21 responsibility for regulatory oversight of the trust; the form of the trust and  
22 each trust amendment **is** [SHALL BE] filed with the insurance supervisory  
23 official of every state in which the beneficiaries of the trust are domiciled; the  
24 trust instrument **provides** [MUST PROVIDE] that contested claims are valid  
25 and enforceable upon the final order of any court of competent jurisdiction in  
26 the United States; the trust **vests** [SHALL VEST] legal title to its assets in the  
27 trustees of the trust for its United States domiciled ceding insurers, their  
28 assigns, and successors in interest; the trust and the assuming insurer are  
29 subject to examination as determined by the director [, AND THE  
30 ASSUMING INSURER SHALL SUBMIT TO EXAMINATION OF ITS  
31 BOOKS AND RECORDS BY THE DIRECTOR AND BEAR THE

1 EXPENSE OF EXAMINATION]; the trust **remains** [MUST REMAIN] in  
2 effect for so long as the assuming insurer has outstanding liabilities due under  
3 the reinsurance agreements subject to the trust;

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

9 **(C)** [(iii)] in the case of a single assuming insurer, the trust  
10 **consists** [SHALL CONSIST] of trust assets not less than the assuming  
11 insurer's liabilities attributable to reinsurance ceded by the United States  
12 domiciled ceding insurers and, in addition, **except as provided in (D) of this**  
13 **paragraph, the assuming insurer maintains** [INCLUDE] a trust surplus of  
14 not less than \$20,000,000 for the benefit of the United States domiciled ceding  
15 insurers as additional security for the liabilities covered by the trust; the single  
16 assuming insurer shall make available to the director an annual certification of  
17 the insurer's solvency by an independent certified public accountant or an  
18 accountant holding a substantially equivalent designation as determined by the  
19 director; **at any time after the assuming insurer permanently discontinues**  
20 **underwriting new business secured by a trust for not less than three years,**  
21 **the insurance supervisory official with principal regulatory oversight of**  
22 **the trust may authorize a reduction in the required trusteed surplus if,**  
23 **based on an assessment of the risk, the insurance supervisory official finds**  
24 **that the new required surplus level is adequate for the protection of**  
25 **United States domiciled ceding insurers, policyholders, and claimants in**  
26 **light of reasonably foreseeable adverse loss development; the risk**  
27 **assessment may involve an actuarial review, including an independent**  
28 **analysis of reserves and cash flows, and must consider all material risk**  
29 **factors, including, when applicable, the lines of business involved, the**  
30 **stability of the incurred loss estimates, and the effect of the surplus**  
31 **requirements on the assuming insurer's liquidity or solvency; the**

1 minimum required trusteed surplus may not be reduced to an amount less  
2 than 30 percent of the assuming insurer's liabilities attributable to  
3 reinsurance ceded by United States domiciled ceding insurers covered by  
4 the trust;

5 (D) [(iv)] in the case of a group, including incorporated and  
6 individual unincorporated insurers,

7 (i) the trust consists [SHALL CONSIST] of, for  
8 reinsurance ceded under the reinsurance agreements with an  
9 inception, amendment, or renewal date on or after January 1, 1993,  
10 a trusteed account in an amount not less than the respective  
11 insurers' several liabilities attributable to business ceded by United  
12 States domiciled ceding insurers to any insurer of the group, for  
13 reinsurance ceded under reinsurance agreements with an inception  
14 date on or before December 31, 1992, and not amended or renewed  
15 after that date, notwithstanding the other provisions of this section,  
16 a trusteed account not less than the respective insurers' several  
17 insurance and reinsurance liabilities attributable to business  
18 written in the United States, and, in addition to an applicable trust  
19 described in this sub-subparagraph, trust assets representing the  
20 group's liabilities attributable to business ceded by United States  
21 domiciled ceding insurers [AND, IN ADDITION,] include a trust  
22 surplus not less than \$100,000,000 held jointly for the benefit of the  
23 United States domiciled ceding insurers of any member of the group for  
24 all years of account as additional security for the group's liabilities  
25 covered by the trust; and

26 (ii) the incorporated members of the group are [MAY]  
27 not [BE] engaged in any business other than underwriting as a member  
28 of the group and are subject to the same level of solvency regulation  
29 and control by the group's domiciliary regulator as [ARE] the  
30 unincorporated members; within 90 days after the group's [ITS]  
31 financial statements are due to be filed with the group's domiciliary

1 regulator, the group shall make available to the director an annual  
2 certification of the solvency of each insurer by the group's domiciliary  
3 regulator or, if the certification is unavailable, financial statements,  
4 prepared by an independent certified public accountant, or an  
5 accountant holding a substantially equivalent designation as determined  
6 by the director, for each underwriter member of the group;

7 **(E)** [(v)] in the case of a group of incorporated insurers under  
8 common administration [THAT COMPLIES WITH THE REPORTING  
9 REQUIREMENTS CONTAINED IN (ii) OF THIS SUBPARAGRAPH,] that  
10 has continuously transacted an insurance business outside the United States for  
11 at least three years immediately before making application for accreditation [,  
12 THAT SUBMITS TO THIS STATE'S AUTHORITY TO EXAMINE ITS  
13 BOOKS AND RECORDS AND BEARS THE EXPENSE OF THE  
14 EXAMINATION,] and that has aggregate policyholders' surplus of  
15 \$10,000,000,000 **or more**, the trust **consists** [SHALL CONSIST] of trust  
16 assets in an amount not less than the group's several liabilities attributable to  
17 business ceded by United States domiciled ceding insurers to a member of the  
18 group under reinsurance contracts issued in the name of the group, and the  
19 group

20 **(i) maintains** [SHALL MAINTAIN] a joint trustee  
21 surplus, of which \$100,000,000 **is** [SHALL BE] held jointly for the  
22 benefit of United States domiciled ceding insurers of a member of the  
23 group as additional security for the group's liabilities covered by the  
24 trust;

25 **(ii) not later than** [, AND, WITHIN] 90 days after **the**  
26 **group's** [ITS] financial statements are due to be filed with the group's  
27 domiciliary regulator, **ensures** each member of the group **makes**  
28 [SHALL MAKE] available to the director an annual certification of the  
29 underwriter member's solvency by the member's domiciliary regulator  
30 and financial statement of each underwriter member prepared by **the**  
31 **member's** [ITS] independent certified public accountant [,] or an

1 accountant holding a substantially equivalent designation as determined  
2 by the director; and

3 **(iii) submits to examination of its books and records**  
4 **by the director and bears the expense of the examination;**

5 **(F) the assuming insurer** [(B)] reports annually to the director  
6 information substantially the same as that required to be reported on the  
7 National Association of Insurance Commissioners' annual statement form by  
8 licensed insurers [TO ENABLE THE DIRECTOR TO DETERMINE THE  
9 SUFFICIENCY OF THE TRUST FUND];

10 (5) **is eligible for certification by the director as a reinsurer in this**  
11 **state if the assuming insurer secures its obligations under the following**  
12 **requirements:**

13 **(A) the assuming insurer must**

14 **(i) be domiciled and licensed to transact insurance**  
15 **or reinsurance in a qualified jurisdiction;**

16 **(ii) maintain minimum capital and surplus, or its**  
17 **equivalent, in an amount set out in regulations adopted by the**  
18 **director;**

19 **(iii) maintain financial strength ratings from two or**  
20 **more rating agencies as required under regulations adopted by the**  
21 **director;**

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

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

30 **(vi) satisfy other requirements for certification as**  
31 **required by the director;**

1                    (B) in addition to satisfying the requirements under (A) of  
2 this paragraph, an association, including an incorporated underwriter and  
3 an individual unincorporated underwriter,

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

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

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

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

26                    (i) to determine whether the domiciliary jurisdiction  
27 of an alien assuming insurer is eligible to be recognized as a  
28 qualified jurisdiction, the director shall evaluate the  
29 appropriateness and effectiveness of the reinsurance supervisory  
30 system of the jurisdiction, both initially and on an ongoing basis,  
31 and consider the rights, benefits, and the extent of reciprocal

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

11 (ii) the director shall consider the list of qualified  
12 jurisdictions published through the committee process of the  
13 National Association of Insurance Commissioners; if the director  
14 approves as qualified a jurisdiction that does not appear on the list  
15 of qualified jurisdictions, the director shall provide thoroughly  
16 documented justification for the approval under criteria set out in  
17 regulations adopted by the director;

18 (iii) the director shall recognize a United States  
19 jurisdiction that meets the requirement for accreditation under the  
20 National Association of Insurance Commissioners financial  
21 standards and accreditation program as a qualified jurisdiction;

22 (iv) the director, in lieu of revocation, may suspend a  
23 reinsurer's certification indefinitely if the certified reinsurer's  
24 domiciliary jurisdiction ceases to be a qualified jurisdiction;

25 (D) the director shall assign a rating to each certified  
26 reinsurer, giving due consideration to the financial strength ratings that  
27 have been assigned by rating agencies considered acceptable under  
28 regulations adopted by the director;

29 (E) a certified reinsurer shall secure obligations assumed  
30 from United States domiciled ceding insurers under this subsection at a  
31 level consistent with the reinsurer's rating, as specified under regulations

1 adopted by the director and subject to the following requirements:

2 (i) for a domestic ceding insurer to qualify for full  
3 financial statement credit for reinsurance ceded to a certified  
4 reinsurer, the certified reinsurer shall maintain security in a form  
5 acceptable to the director and consistent with (c) of this section or  
6 in a multibeneficiary trust under (4) of this subsection, except as  
7 otherwise provided in this paragraph;

8 (ii) if a certified reinsurer maintains a trust to secure  
9 fully the reinsurer's obligations subject to (4) of this subsection and  
10 chooses to secure its obligations incurred as a certified reinsurer in  
11 the form of a multibeneficiary trust, the certified reinsurer shall  
12 maintain separate trust accounts for its obligations incurred under  
13 reinsurance agreements issued or renewed as a certified reinsurer  
14 with reduced security as permitted under this subsection or  
15 comparable laws of other United States jurisdictions and for its  
16 obligations subject to (4) of this subsection; a certified reinsurer  
17 shall, as a condition of the grant of certification under this  
18 paragraph, bind itself, by the language of the trust and agreement  
19 with the insurance supervisory official with principal regulatory  
20 oversight of the trust account, to use the remaining surplus of a  
21 terminated trust account for a deficiency in any other trust account  
22 of the certified reinsurer;

23 (iii) the minimum trustee surplus requirements  
24 under (4) of this subsection are not applicable to a multibeneficiary  
25 trust maintained by a certified reinsurer for the purpose of  
26 securing obligations incurred under this subsection, except that the  
27 multibeneficiary trust shall maintain a minimum trustee surplus  
28 of \$10,000,000;

29 (iv) if the obligations incurred by a certified  
30 reinsurer under this subsection are insufficiently secured, the  
31 director shall reduce the allowable credit by an amount

1 proportionate to the deficiency and may impose further reductions  
2 in allowable credit if the director finds that there is a material risk  
3 that the certified reinsurer's obligations will not be paid in full  
4 when due;

5 (v) for purposes of this subparagraph, a certified  
6 reinsurer whose certification is terminated for any reason is  
7 considered to be a certified reinsurer that is required to secure 100  
8 percent of the reinsurer's obligations; however, if the director  
9 continues to assign a higher rating as permitted under other  
10 provisions of this section, the requirement to secure 100 percent of  
11 the reinsurer's obligations does not apply to a certified reinsurer in  
12 inactive status or to a reinsurer whose certification has been  
13 suspended; in this sub-subparagraph, "terminated" means  
14 revoked, suspended, voluntarily surrendered, or in inactive status;

15 (F) if an applicant for certification is certified as a reinsurer  
16 in a jurisdiction accredited by the National Association of Insurance  
17 Commissioners, the director may defer to that jurisdiction's certification  
18 and to the rating assigned to the applicant by the jurisdiction; the  
19 assuming insurer shall be considered to be a certified reinsurer in this  
20 state;

21 (G) a certified reinsurer that ceases to assume new business  
22 in this state may request to maintain its certification in inactive status in  
23 order to continue to qualify for a reduction in security for its in-force  
24 business; an inactive certified reinsurer shall continue to comply with all  
25 applicable requirements of this subsection, and the director shall assign a  
26 rating that takes into account, if relevant, the reasons the reinsurer is not  
27 assuming new business;

28 (6) [ASSUMING INSURER THAT] does not meet the requirements  
29 of (1) - (5) [(1) - (4)] of this subsection, but only with respect to the insurance of risks  
30 located in jurisdictions where the reinsurance is required by applicable law or  
31 regulation of that jurisdiction.

1 \* **Sec. 2.** AS 21.12.020(b) is amended to read:

2 (b) If the assuming insurer is not licensed, [OR] accredited, **or certified** to  
3 transact insurance or reinsurance in this state, the credit permitted **under (a)(4) and**  
4 **(5)** [BY (a)(1) - (4)] of this section **is** [MAY] not [BE] allowed unless the assuming  
5 insurer agrees in the reinsurance agreements

6 (1) that, in the event of the failure of the assuming insurer to perform  
7 its obligations under the terms of the reinsurance agreement, the assuming insurer, at  
8 the request of the ceding insurer, shall submit to the jurisdiction of a court of  
9 competent jurisdiction in **a** [ANY] state of the United States, will comply with all  
10 requirements necessary to give the court jurisdiction and will abide by the final  
11 decision of the court or of an appellate court in the event of an appeal; [THIS  
12 PROVISION IS NOT INTENDED TO CONFLICT WITH OR OVERRIDE THE  
13 OBLIGATION OF THE PARTIES TO A REINSURANCE AGREEMENT TO  
14 ARBITRATE THEIR DISPUTES, IF SUCH AN OBLIGATION IS CREATED IN  
15 THE REINSURANCE AGREEMENT;] and

16 (2) to designate the director or an attorney resident in the United States  
17 as its true and lawful attorney upon whom may be served lawful process in an action,  
18 suit, or proceeding instituted by or on behalf of the ceding insurer; **nothing in this**  
19 **subsection is intended to conflict with or override the obligation of the parties to**  
20 **a reinsurance agreement to arbitrate their disputes if such an obligation is**  
21 **created in the reinsurance agreement.**

22 \* **Sec. 3.** AS 21.12.020(c) is amended to read:

23 (c) **An asset or a** [A] reduction from liability, for reinsurance ceded **by a**  
24 **domestic insurer** to an assuming insurer not meeting the requirements of **(a), (b), and**  
25 **(j) - (l)** [(a)] of this section, shall be allowed in an amount not exceeding the liabilities  
26 carried by the ceding insurer. **In addition, the director may adopt by regulation**  
27 **under (m)(2) of this section specific additional requirements relating to the**  
28 **valuation of assets or reserve credits, the amount and forms of security**  
29 **supporting reinsurance arrangements described in (m)(2) of this section, and the**  
30 **circumstances under which credit will be reduced or eliminated.** The reduction  
31 shall be equal to the amount of money held by or on behalf of the ceding insurer,

1 including money held in trust for the ceding insurer, under a reinsurance contract with  
2 the assuming insurer as security for the payment of obligations under it, if the security  
3 is held in the United States subject to withdrawal solely by, and under the exclusive  
4 control of, the ceding insurer, or, in the case of a trust, held in a qualified United States  
5 financial institution. The security must be in the form of

6 (1) cash;

7 (2) securities listed by the Securities Valuation Office of the National  
8 Association of Insurance Commissioners, **including those exempted from filing as**  
9 **defined by the purposes and procedures manual of the Securities Valuation**  
10 **Office, and those** that qualify as admitted assets under AS 21.21;

11 (3) clean, irrevocable, unconditional letters of credit that contain an  
12 evergreen clause issued or confirmed by a qualified United States financial institution  
13 not later than December 31 in the year for which filing is made, and in the possession  
14 of, or in trust for, the ceding insurer on or before the filing date of the ceding insurer's  
15 annual statement; letters of credit meeting applicable standards of issuer acceptability  
16 as of the dates of their issuance or confirmation shall, notwithstanding the issuing or  
17 confirming institution's subsequent failure to meet applicable standards of issuer  
18 acceptability, continue to be acceptable as security until their expiration, extension,  
19 renewal, modification, or amendment, whichever occurs first; **in this paragraph,**  
20 **"qualified United States financial institution" means an institution that**

21 **(A) is organized or, in the case of a United States office of a**  
22 **foreign banking organization, is licensed under the laws of the United**  
23 **States or a state of the United States;**

24 **(B) is regulated, supervised, and examined by United States**  
25 **federal or state authorities having regulatory authority over banks and**  
26 **trust companies; and**

27 **(C) has been determined by either the director or the**  
28 **Securities Valuation Office of the National Association of Insurance**  
29 **Commissioners to meet the standards of financial condition and standing**  
30 **considered necessary and appropriate to regulate the quality of financial**  
31 **institutions whose letters of credit are acceptable to the director; or**

1 (4) other security acceptable to and approved in advance by the  
2 director.

3 \* **Sec. 4.** AS 21.12.020(i) is amended to read:

4 (i) In this section, **unless otherwise indicated,**

5 **(1) "qualified United States financial institution" means an**  
6 **institution that is**

7 **(A) organized or, in the case of a United States branch or**  
8 **agency office of a foreign banking organization, licensed under the laws of**  
9 **the United States or a state of the United States, and has been granted**  
10 **authority to operate with fiduciary powers; and**

11 **(B) regulated, supervised, and examined by United States**  
12 **federal or state authorities having regulatory authority over banks and**  
13 **trust companies;**

14 **(2)** [A] "reinsurance transaction" means a transaction stemming from a  
15 contract by which the assuming insurer agrees to indemnify the ceding insurer in  
16 whole or in part against liability or losses that the ceding insurer might incur under a  
17 separate contract of insurance with its insured.

18 \* **Sec. 5.** AS 21.12.020 is amended by adding new subsections to read:

19 (j) If an assuming insurer does not meet the requirements under this section,  
20 the credit permitted under (a)(1), (2), or (3) of this section is not allowed unless the  
21 assuming insurer agrees, in the trust agreements, to the following conditions:

22 (1) notwithstanding any other provision in the trust instrument, if the  
23 trust fund is inadequate because it contains an amount less than the amount required  
24 under (a)(4) or (5) of this section, or if the grantor of the trust is declared insolvent or  
25 is placed into receivership, rehabilitation, liquidation, or similar proceedings under the  
26 laws of the state or country of domicile, the trustee shall comply with an order of the  
27 insurance supervisory official with regulatory oversight over the trust or with an order  
28 of a court of competent jurisdiction directing the trustee to transfer to the insurance  
29 supervisory official with regulatory oversight over the trust all of the assets of the trust  
30 fund;

31 (2) the assets shall be distributed by, and all claims shall be filed with

1 and valued by, the insurance supervisory official with regulatory oversight over the  
2 trust under the laws of the state in which the trust is domiciled that are applicable to  
3 the liquidation of a domestic insurer;

4 (3) if the insurance supervisory official with regulatory oversight over  
5 the trust determines that the assets or report of the assets of the trust fund are not  
6 necessary to satisfy the claims of the United States domestic ceding insurers of the  
7 grantor of the trust, the insurance supervisory official with regulatory oversight over  
8 the trust shall return the assets or part of the assets to the trustee for distribution under  
9 the trust agreement;

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

12 (k) The director may suspend or revoke a reinsurer's accreditation or  
13 certification under the following procedures if the accredited or certified reinsurer  
14 ceases to meet the requirements for accreditation or certification:

15 (1) the director shall give the reinsurer notice and opportunity for a  
16 hearing under AS 21.06.170 - 21.06.230; the suspension or revocation may not take  
17 effect before the director issues an order on the hearing, unless the

18 (A) reinsurer waives the right to a hearing;

19 (B) director's order is based on a regulatory action by the  
20 reinsurer's domiciliary jurisdiction or the voluntary surrender or termination of  
21 the reinsurer's eligibility to transact insurance or reinsurance business in its  
22 domiciliary jurisdiction or in the primary certifying state of the reinsurer under  
23 (a)(5)(F) of this section; or

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

26 (2) while a reinsurer's accreditation or certification is suspended, a  
27 reinsurance contract issued or renewed by the reinsurer on or after the effective date of  
28 the suspension does not qualify for credit, except to the extent that the reinsurer's  
29 obligations under the contract are secured under (c) of this section; if a reinsurer's  
30 accreditation or certification is revoked, no credit for reinsurance may be granted after  
31 the effective date of the revocation except to the extent that the reinsurer's obligations

1 under the contract are secured under (a)(5)(E) or (c) of this section.

2 (l) A ceding insurer shall take steps to

3 (1) manage its reinsurance recoverables proportionate to its own book  
4 of business; a domestic ceding insurer shall notify the director not later than 30 days  
5 after the reinsurance recoverables from any single assuming insurer or group of  
6 affiliated assuming insurers exceeds 50 percent of the domestic ceding insurer's last  
7 reported surplus to policyholders or the domestic ceding insurer determines that  
8 reinsurance recoverables from any single assuming insurer or group of affiliated  
9 assuming insurers is likely to exceed that limit; the notification must demonstrate that  
10 the exposure is safely managed by the domestic ceding insurer; and

11 (2) diversify its reinsurance program; a domestic ceding insurer shall  
12 notify the director not later than 30 days after ceding to any single assuming insurer or  
13 group of affiliated assuming insurers more than 20 percent of the ceding insurer's  
14 gross written premium in the preceding calendar year or the domestic ceding insurer  
15 determines that the reinsurance ceded to any single assuming insurer or group of  
16 affiliated assuming insurers is likely to exceed that limit; the notification must  
17 demonstrate that the exposure is safely managed by the domestic ceding insurer.

18 (m) The director may adopt regulations

19 (1) to implement this section; and

20 (2) relating to reinsurance arrangements, subject to the following  
21 provisions:

22 (A) a regulation adopted under this paragraph may apply only  
23 to reinsurance relating to

24 (i) a life insurance policy with guaranteed nonlevel  
25 gross premiums or guaranteed nonlevel benefits;

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

29 (iii) a variable annuity with guaranteed death or living  
30 benefits;

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

1 (v) other life insurance, health insurance, and annuity  
2 products for which the National Association of Insurance  
3 Commissioners adopts model regulatory requirements with respect to  
4 credit for reinsurance;

5 (B) a regulation adopted under (A)(i) or (ii) of this paragraph  
6 applies to a treaty containing a policy issued (i) on or after January 1, 2015,  
7 and (ii) before January 1, 2015, if the risk pertaining to the policy is ceded, in  
8 whole or in part, in connection with the treaty on or after January 1, 2015; in  
9 this subparagraph, "treaty" means a contract in which a reinsurance company  
10 agrees to accept and an insurance company agrees to cede all of a particular  
11 type of risk within a specific class of insurance policies;

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

18 (D) a regulation adopted under this paragraph does not apply to  
19 cessions to an assuming insurer that is certified in this state or meets the  
20 following criteria:

21 (i) maintains at least \$250,000,000 in capital and  
22 surplus as determined under the most recent edition of the National  
23 Association of Insurance Commissioners Accounting Practices and  
24 Procedures Manual, including the effect of any permitted or prescribed  
25 practices; and

26 (ii) is licensed in not fewer than 26 states, or licensed in  
27 not fewer than 10 states and licensed or accredited in a total of not  
28 fewer than 35 states;

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

31 \* **Sec. 6.** AS 21.18.110(a) is amended to read:

1 (a) The director shall annually value, or cause to be valued, the reserve  
2 liabilities (hereinafter called reserves) for all outstanding life insurance policies,  
3 [AND] annuity and pure endowment contracts, **and deposit-type contracts** of every  
4 life insurer doing business in this state **issued before the operative date of the**  
5 **valuation manual described in AS 21.18.112** [, AND MAY CERTIFY THE  
6 AMOUNT OF THE RESERVES, SPECIFYING THE MORTALITY TABLE OR  
7 TABLES, RATE OR RATES OF INTEREST, AND METHODS (NET LEVEL  
8 PREMIUM METHOD OR OTHER) USED IN THE CALCULATION OF THE  
9 RESERVES]. In calculating the reserves **for policies and contracts issued before the**  
10 **operative date of the valuation manual described in AS 21.18.112**, the director may  
11 use group methods and approximate averages for fractions of a year or otherwise. For  
12 an alien insurer, the valuation shall be limited to **the alien insurer's** [ITS] insurance  
13 transactions in the United States. For the purpose of making the valuation, the director  
14 may employ a **qualified** [COMPETENT] actuary who shall be paid by the insurer for  
15 which the service is rendered. For a foreign or alien insurer, the director may accept,  
16 in lieu of the valuation of the reserves required of a foreign or alien insurer, a  
17 valuation made, or caused to be made, by the insurance supervisory official of a state  
18 or other jurisdiction if the valuation complies with the minimum standard provided in  
19 this section. **This subsection provides for the minimum standard for the valuation**  
20 **of reserves for policies and contracts subject to this subsection and applies to a**  
21 **policy and contract issued before the operative date of the valuation manual**  
22 **described in AS 21.18.112** [AND IF THE OFFICIAL OF THE STATE OR  
23 JURISDICTION ACCEPTS AS SUFFICIENT AND VALID FOR ALL LEGAL  
24 PURPOSES THE CERTIFICATE OF VALUATION OF THE DIRECTOR WHEN  
25 THE CERTIFICATE STATES THE VALUATION WAS MADE IN A SPECIFIED  
26 MANNER IN WHICH THE AGGREGATE RESERVES WOULD BE AT LEAST  
27 AS LARGE AS IF THEY HAD BEEN COMPUTED IN THE MANNER  
28 PRESCRIBED BY THE LAW OF THAT STATE OR JURISDICTION]. An insurer  
29 that **has** [AT ANY TIME] adopted a standard of valuation producing greater  
30 aggregate reserves than those calculated according to the minimum standard provided  
31 in this section may, with the approval of the director, adopt a lower standard of

1 valuation, but not lower than the minimum provided in this section.

2 \* **Sec. 7.** AS 21.18.110(b) is amended to read:

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

7 (1) Except as [OTHERWISE] provided in (c) - (k) [(c)] of this section,  
8 [AND] (5) and (6) of this subsection, and AS 21.18.112(b), the minimum standard  
9 for the valuation of all these policies and contracts shall be the commissioners  
10 [COMMISSIONER'S] reserve evaluation methods defined in (2)(A) and (B) [(2)], (4),  
11 and (7) of this subsection, and AS 21.18.112(b), three and one-half percent interest, or  
12 in the case of policies and contracts, other than annuity and pure endowment contracts,  
13 issued on or after July 1, 1978, five and one-half percent interest for single premium  
14 life insurance policies and four and one-half percent interest for all other policies, and  
15 the following tables:

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

27 (i) the Commissioners [COMMISSIONER'S] 1980  
28 Standard Ordinary Mortality Table; [ , OR]

29 (ii) at the election of the insurer for any one or more  
30 specified plans of life insurance, the Commissioners  
31 [COMMISSIONER'S] 1980 Standard Ordinary Mortality Table with

1 10-year Select Mortality Factors; [,] or

2 (iii) any ordinary mortality table, adopted after 1980 by  
3 the National Association of Insurance Commissioners, that is approved  
4 by regulation **adopted** [PROMULGATED] by the director for use in  
5 determining the minimum standard of valuation for the policies;

6 (B) for all industrial life insurance policies issued on the  
7 standard basis, excluding disability and accidental death benefits in the policies  
8 - the 1941 Standard Industrial Mortality Table for the policies issued before the  
9 operative date of AS 21.45.300(l), of the Standard Nonforfeiture Law for Life  
10 Insurance as amended, and for the policies issued on or after April 7, 1984, the  
11 **Commissioners** [COMMISSIONER'S] 1961 Standard Industrial Mortality  
12 Table or any industrial mortality table, adopted after 1980 by the National  
13 Association of Insurance Commissioners that is approved by regulation  
14 **adopted** [PROMULGATED] by the director for use in determining the  
15 minimum standard of valuation for **those** [SUCH] policies;

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

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

26 (E) for total and permanent disability benefits in or  
27 supplementary to ordinary policies or contracts - the tables of period 2  
28 disablement rates and the 1930 to 1950 termination rates of the 1952 disability  
29 study of the society of actuaries, with due regard to the type of benefit or any  
30 table of disablement and termination rates adopted after 1980 by the National  
31 Association of Insurance Commissioners that are approved by regulation

1 adopted by the director for use in determining the minimum standard of  
2 valuation for the policies; the table shall, for active lives, be combined with a  
3 mortality table permitted for calculating the reserves for life insurance policies;

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

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

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

24 (A) a net level annual premium equal to the present value, at  
25 the date of issue, of the benefits provided for after the first policy year, divided  
26 by the present value, at the date of issue of an annuity of one a year payable on  
27 the first and each subsequent anniversary of the policy on which a premium  
28 falls due; however, the net level annual premium may not exceed the net level  
29 annual premium on the 19-year premium whole life plan for insurance of the  
30 same amount at an age one year higher than the age at issue of the policy;

31 (B) a net one-year term premium for the benefits provided for

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

14 (i) the present value shall be reduced by 15 percent of  
15 the amount of the excess first year premium; [,]

16 (ii) all present values of benefits and premiums shall be  
17 determined without reference to premiums or benefits provided for by  
18 the policy after the assumed ending date; [,]

19 (iii) the policy shall be assumed to mature on the  
20 assumed ending date as an endowment; [,] and

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

29 (C) reserves according to the commissioners  
30 [COMMISSIONER'S] reserve valuation method for

31 (i) life insurance policies providing for a varying

1 amount of insurance or requiring the payment of varying premiums; [,]

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

9 (iii) disability and accidental death benefits in all  
10 policies and contracts; [,]

11 (iv) all other benefits, except life insurance and  
12 endowment benefits in life insurance policies and benefits provided by  
13 all other annuity and pure endowment contracts, shall be calculated by  
14 a method consistent with the principles of **this paragraph** [(2) OF  
15 THIS SUBSECTION], except that any extra premiums charged  
16 because of impairments or special hazards shall be disregarded in the  
17 determination of modified net premiums. ;]

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

26 (4) If, in any contract year, the gross premium charged by a life insurer  
27 on a policy or contract is less than the valuation net premium for the policy or contract  
28 calculated by the method used in calculating the reserve on the policy or contract but  
29 using the minimum valuation standards of mortality and rate of interest, the minimum  
30 reserve required for that policy or contract shall be the greater of either the reserve  
31 calculated according to the mortality table, rate of interest, and method actually used

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

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

24 (A) for individual single premium immediate annuity contracts,  
25 excluding any disability and accidental death benefits in those [SUCH]  
26 contracts - the 1971 individual annuity mortality table or an individual annuity  
27 mortality table, adopted after 1980 by the National Association of Insurance  
28 Commissioners, that is approved by regulation adopted by the director for use  
29 in determining the minimum standard of valuation for the contracts, or any  
30 modification of these tables approved by the director and seven and one-half  
31 percent interest;

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

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

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

28 (7) This paragraph applies to all annuity and pure endowment contracts  
29 other than group annuity and pure endowment contracts purchased under a retirement  
30 plan or plan of deferred compensation, established or maintained by an employer  
31 (including a partnership or sole proprietorship) or by an employee organization, or by

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

16 \* **Sec. 8.** AS 21.18.110(f) is amended to read:

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

18 (1) weighting factors for life insurance:

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

25 for life insurance, the guarantee duration is the maximum number of years the life  
 26 insurance can remain in force on a basis guarantee in the policy or under an option to  
 27 convert to a plan of life insurance with a premium rate or nonforfeiture value or both  
 28 **that** [WHICH] are guaranteed in the original policy;

29 (2) notwithstanding (3) of this subsection, the weighting factor for a  
 30 single premium immediate annuity and for an annuity benefit involving **a** [IN] life  
 31 contingency arising from another annuity with a cash settlement option and a

1 guaranteed interest contract with a cash settlement option - .80;

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

4 Guarantee Weighting Factor  
5 Duration: for Plan Type

6 Years

7 A B C

8 5 or less; .80 .60 .50

9 more than 5, but not

10 more than 10; .75 .60 .50

11 more than 10, but not

12 more than 20; .65 .50 .45

13 more than 20; .45 .35 .35

14 (4) for annuities and guaranteed interest contracts valued on a change  
15 in fund basis, the weighting factors shown in (3) of this subsection are increased by  
16 .15 for plan type A, .25 for plan type B, and .05 for plan type C;

17 (5) for annuities and guaranteed interest contracts valued on an issue  
18 year basis, other than those with no cash settlement options, **that** [WHICH] do not  
19 guarantee interest on considerations received more than one year after issue or  
20 purchase and for annuities and guaranteed interest contracts valued on a change in  
21 fund basis **that** [WHICH] do not guarantee interest rates on considerations received  
22 more than 12 months beyond the valuation date, the weighting factors shown in (3) of  
23 this subsection or derived in **(4)** of this subsection are increased by .05.

24 \* **Sec. 9.** AS 21.18.110(j) is amended to read:

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

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

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

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

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

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

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

31 \* **Sec. 10.** AS 21.18.110(q) is amended to read:

1 (q) A qualified actuary who submits an opinion under (m) of this section  
2 (1) is not liable for damages to a person, other than the **insurer**  
3 [INSURANCE COMPANY] and the director, for an act, error, omission, decision, or  
4 conduct with respect to the actuary's opinion except in a case of fraud or wilful  
5 misconduct;  
6 (2) is subject to disciplinary action by the director; and  
7 (3) shall prepare a memorandum, in form and substance acceptable to  
8 the director, to support the actuarial opinion.

9 \* **Sec. 11.** AS 21.18.110(s) is amended to read:

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

24 \* **Sec. 12.** 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. 13.** AS 21.18.110 is amended by adding a new subsection to read:

3 (v) In this section, unless the context requires otherwise, "insurer" means an  
4 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. 14.** 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 considered 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 (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 are

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

9 (ii) the commissioners annuity reserve valuation method  
10 for annuity contracts subject to (a) of this section; and

11 (iii) minimum reserves for all other policies or contracts  
12 subject to (a) of 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

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

1 (ii) if there is no applicable minimum standard in  
2 AS 21.18.110, must develop reserves that quantify the benefits,  
3 guarantees, and funding associated with the contracts and their risks at  
4 a level of conservatism that reflects conditions that include unfavorable  
5 events 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 an annual certification of the  
28 effectiveness of the internal controls with respect to the principle-based  
29 valuation; the controls shall be designed to ensure that all material risks  
30 inherent in the liabilities and associated assets subject to the valuation are  
31 included in the valuation and that valuations are made in accordance with the

1 valuation manual; the certification shall be based on the controls in place as of  
2 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) The use of information in this section is subject to the following  
11 provisions:

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

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

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

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

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

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

1 same manner and to the same extent required for the director;

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

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

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

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

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

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

26 (3) is not confidential after any portion of a memorandum in support of  
27 an opinion submitted under (c) of this section or a principle-based valuation report  
28 developed under (e)(5)(C) of this section is cited by the insurer in its marketing or is  
29 publicly volunteered to or before a governmental agency other than a state insurance  
30 department or is released by the insurer to the news media.

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

14 \* **Sec. 15.** 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 a contract that incorporates 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).

19 \* **Sec. 16.** AS 21.45.300(t) is amended to read:

20 (t) The adjusted premiums and present values for a policy of ordinary  
21 insurance referred to in this section shall be calculated on the basis of the  
22 **Commissioners** [COMMISSIONER'S] 1980 Standard Ordinary Mortality Table or, at  
23 the election of the insurer for any one or more specified plans of life insurance, the  
24 Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select  
25 Mortality Factors. The adjusted premiums and present values for a policy of industrial  
26 insurance shall be calculated on the basis of the **Commissioners**  
27 [COMMISSIONER'S] 1961 Standard Industrial Mortality Table. The adjusted  
28 premiums and present values for a policy issued in a particular calendar year shall be  
29 calculated on the basis of a rate of interest not exceeding the nonforfeiture interest rate  
30 as defined in this subsection for policies issued in that calendar year. **However,**  
31 [PROVIDED, HOWEVER, THAT]

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

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

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

13 (4) in calculating the present value of paid-up term insurance with  
14 accompanying pure endowment, if any, offered as nonforfeiture benefit, the rates of  
15 mortality assumed may be not more than those shown in the **Commissioners**  
16 [COMMISSIONER'S] Extended Term Insurance Table for policies of ordinary  
17 insurance and not more than the **Commissioners** [COMMISSIONER'S] 1961  
18 Industrial Extended Term Insurance Table for policies of industrial insurance;

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

22 (6) **for policies issued before the operative date of the valuation**  
23 **manual, a Commissioners Standard Ordinary Mortality Table** [AN ORDINARY  
24 MORTALITY TABLE], adopted after 1980 by the National Association of Insurance  
25 Commissioners, that is approved by regulation adopted by the director for use in  
26 determining the minimum nonforfeiture standard may be substituted for the  
27 **Commissioners** [COMMISSIONER'S] 1980 Standard Ordinary Mortality Table with  
28 or without Ten-Year Select Mortality Factors or for the **Commissioners**  
29 [COMMISSIONER'S] 1980 Extended Term Insurance Table; **for policies issued on**  
30 **or after the operative date of the valuation manual, the valuation manual must**  
31 **provide the Commissioners Standard Ordinary Mortality Table for use in**

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

10 (7) for policies issued before the operative date of the valuation  
11 manual, a Commissioners Standard Industrial Mortality Table [AN  
12 INDUSTRIAL MORTALITY TABLE], adopted after 1980 by the National  
13 Association of Insurance Commissioners, that is approved by regulation adopted by  
14 the director for use in determining the minimum nonforfeiture standard may be  
15 substituted for the Commissioners [COMMISSIONER'S] 1961 Standard Industrial  
16 Mortality Table or the Commissioners [COMMISSIONER'S] 1961 Industrial  
17 Extended Term Insurance Table; for policies issued on or after the operative date of  
18 the valuation manual, the valuation manual must provide the Commissioners  
19 Standard Ordinary Mortality Table for use in determining the minimum  
20 nonforfeiture standard that may be substituted for the Commissioners 1961  
21 Standard Industrial Mortality Table or the Commissioners 1961 Extended Term  
22 Insurance Table; if the director approves by regulation a Commissioners  
23 Standard Industrial Mortality Table adopted by the National Association of  
24 Insurance Commissioners for use in determining the minimum nonforfeiture  
25 standard for policies issued on or after the operative date of the valuation  
26 manual, that minimum nonforfeiture standard supersedes the minimum  
27 nonforfeiture provided by the valuation manual. [THIS SUBSECTION APPLIES  
28 TO ALL POLICIES ISSUED AFTER THE OPERATIVE DATE OF (w) OF THIS  
29 SECTION.]

30 \* **Sec. 17.** AS 21.45.300(u) is amended to read:

31 (u) For a policy issued before the operative date of the valuation manual,

1        **the** [THE] nonforfeiture **annual** interest rate [A YEAR] for a policy issued in a  
2        particular calendar year shall be equal to 125 percent of the calendar year statutory  
3        valuation interest rate for the policy as defined in the Standard Valuation Law,  
4        rounded to the nearer one quarter of one percent, **if the nonforfeiture interest rate is**  
5        **not less than four percent; for a policy issued on or after the operative date of the**  
6        **valuation manual, the nonforfeiture annual interest rate for a policy issued in a**  
7        **particular calendar year is provided by the valuation manual.** [THIS  
8        SUBSECTION APPLIES TO ALL POLICIES ISSUED AFTER THE OPERATIVE  
9        DATE OF (w) OF THIS SECTION.]

10       \* **Sec. 18.** 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 January 1  
12                of the first calendar year that the valuation manual described in AS 21.18.112 is  
13                effective.

14       \* **Sec. 19.** AS 21.12.020(d), 21.12.020(e), 21.12.020(f), 21.12.020(g), and 21.12.020(h) are  
15       repealed.

16       \* **Sec. 20.** The uncodified law of the State of Alaska is amended by adding a new section to  
17       read:

18                TRANSITION: REGULATIONS. The director of insurance in the Department of  
19       Commerce, Community, and Economic Development may adopt regulations necessary to  
20       implement the changes made by this Act. The regulations take effect under AS 44.62  
21       (Administrative Procedure Act), but not before the effective date of the law implemented by  
22       the regulation.

23       \* **Sec. 21.** This Act takes effect immediately under AS 01.10.070(c).