

CHAPTER 63

INSURANCE

HOUSE BILL 15-1048

BY REPRESENTATIVE(S) Williams, Nordberg, Brown, Fields, Klingenschmitt, Kraft-Tharp, Mitsch Bush, Pettersen, Priola, Tate, Young;
also SENATOR(S) Balmer, Marble, Neville T., Newell, Scheffel, Woods.

AN ACT

CONCERNING AUTHORITY OF THE COMMISSIONER OF INSURANCE TO ADOPT PRINCIPLE-BASED LIFE INSURANCE RESERVE REQUIREMENTS FOR LIFE INSURANCE POLICIES.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, 10-7-101, **amend** (2) (a) (III) and (4); and **add** (2) (a) (IV) as follows:

10-7-101. Valuation of life policies. (2) (a) The commissioner shall ascertain the reserve for every policy in force on the books of domestic companies on the thirty-first day of December immediately preceding, in accordance with the following minimum standards:

(III) With respect to policies issued on or after the operative date of the "Standard Nonforfeiture and Valuation Act", PART 3 OF THIS ARTICLE, AND PRIOR TO THE OPERATIVE DATE OF THE VALUATION MANUAL, in accordance with ~~the provisions of sections 10-7-309 to 10-7-313:~~ 10-7-313.2;

(IV) WITH RESPECT TO POLICIES, INCLUDING ACCIDENT AND HEALTH CONTRACTS AND DEPOSIT-TYPE CONTRACTS, ISSUED ON OR AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL, IN ACCORDANCE WITH SECTIONS 10-7-313.3 AND 10-7-313.4.

(4) In valuing policies issued by foreign companies, the respective standard adopted by each company for such policies shall be used as the basis of ~~such~~ THE valuation, but ~~in no case shall such~~ THE standard MUST NOT be lower than the standard prescribed by subsection (2) of this section for domestic companies. ~~The commissioner may accept the valuation of such policies as certified to him by the commissioner of the home states of such foreign companies respectively.~~

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

SECTION 2. In Colorado Revised Statutes, **amend** 10-7-114 as follows:

10-7-114. Actuarial opinion of reserves - repeal. (1) **Actuarial opinion prior to the operative date of the valuation manual.** BEFORE THE OPERATIVE DATE OF THE VALUATION MANUAL, AS THAT TERM IS DEFINED IN SECTION 10-7-301.5 (7):

(a) Every life insurance company doing business in this state shall annually submit the opinion of a qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts are computed appropriately, are based on assumptions ~~which~~ THAT satisfy contractual provisions, are consistent with prior reported amounts, and comply with applicable laws of this state. The commissioner by ~~regulation~~ RULE shall define the specifics of the opinion required by this ~~section~~ SUBSECTION (1) and add any other items deemed to be necessary to its scope.

(b) The opinion ~~shall~~ MUST apply to all business in force including individual and group health insurance plans, in form and substance acceptable to the commissioner as specified by ~~regulation~~ RULE.

(c) The opinion shall be based on standards adopted from time to time by the Actuarial Standards Board OR ITS SUCCESSOR, and on such additional standards as the commissioner may by ~~regulation~~ RULE prescribe.

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

(e) For purposes of this section, "qualified actuary" means a person who:

(I) ~~Is a member in good standing of the American Academy of Actuaries, or is experienced, skilled, competent to perform actuarial duties, and meets the requirements set forth by regulation of the commissioner; and~~

(II) ~~Is qualified to sign statements of actuarial opinion for life and health insurance company annual statements in accordance with the American Academy of Actuaries qualification standards for actuaries signing such statements; and~~

(III) ~~Is familiar with the valuation requirements applicable to life and health insurance companies; and~~

(IV) ~~Has not been found by the commissioner, upon appropriate notice and hearing, or, if so found, has been reinstated as a qualified actuary, to have:~~

(A) ~~Violated any provision of, or any obligation imposed by, the insurance law or other law in the course of his or her dealings as a qualified actuary; or~~

(B) ~~Been found guilty of fraudulent or dishonest practices; or~~

(C) ~~Demonstrated incompetency, lack of cooperation, or untrustworthiness to act~~

as a qualified actuary; or

~~(D)~~ Submitted to the commissioner, during the past five years, an actuarial opinion or memorandum that the commissioner rejected because it did not meet the provisions of this statute including standards set by the Actuarial Standards Board; or

~~(E)~~ Resigned or been removed as an actuary within the past five years as a result of acts or omissions indicated in any adverse report on examination or as a result of failure to adhere to generally acceptable actuarial standards; and

~~(V)~~ Has not failed to notify the commissioner of any action taken by any commissioner of any other state similar to that under subparagraph (IV) of this paragraph (c);

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

~~(g)~~ (f) Any memorandum in support of the opinion, and any other material provided by the company to the commissioner in connection therewith WITH THE OPINION, shall be kept confidential by the commissioner and shall not be made public and shall is not be subject to subpoena, other than for the purpose of defending an action seeking damages from any person by reason of any action required by this section SUBSECTION (1) or by regulations RULES promulgated pursuant to this section SUBSECTION (1); except that the memorandum or other material may otherwise be released by the commissioner with the written consent of the company or, upon request stating that the memorandum or other material is required for the purpose of professional disciplinary proceedings, to the American Academy of Actuaries. The commissioner shall require that any such request OF THIS NATURE from the American Academy of Actuaries set forth procedures satisfactory to the commissioner for preserving the confidentiality of the memorandum or other material. Once any portion of a confidential memorandum prepared for purposes of this section SUBSECTION (1) is cited by an insurer in its marketing or is cited before any governmental agency other than a state insurance regulatory authority or is released by the insurer to any news media, the confidentiality of all such THE portions of any such confidential memorandum shall be ARE deemed to be waived.

~~(2)~~ (g) Every life insurance company, except as exempted by or pursuant to regulation RULE, shall also annually include in the opinion required by THIS subsection (1) of this section, an opinion of the same qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the commissioner by regulation RULE, when considered in light of the assets held by the company with respect to the reserves and related actuarial items, including but not limited to the investment earnings on the assets and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision for the company's obligations under the policies and contracts including but not limited to the benefits under and expenses associated with the policies and contracts. The commissioner may provide by regulation RULE

for a transition period for establishing any higher reserves ~~which~~ THAT the qualified actuary may deem necessary in order to render the opinion required by this ~~section~~ SUBSECTION (1).

~~(h)~~ (h) Each opinion required by ~~subsection (2) of this section shall be~~ PARAGRAPH (g) OF THIS SUBSECTION (1) IS subject to the following requirements:

~~(I)~~ (I) A memorandum, in form and substance acceptable to the commissioner as specified by ~~regulation~~ RULE, shall be prepared to support each actuarial opinion for each year on or after December 31, 1992.

~~(II)~~ (II) If the insurance company fails to provide a supporting memorandum at the request of the commissioner within a period specified by ~~regulation~~ RULE, or the commissioner determines that the supporting memorandum provided by the insurance company fails to meet the standards prescribed by ~~the regulation~~ RULE or is otherwise unacceptable to the commissioner, the commissioner may engage a qualified actuary at the expense of the company to review the opinion and the basis for the opinion and prepare ~~such~~ ANY supporting memorandum ~~as is~~ required by the commissioner.

~~(1.1)~~ (1.1) [Similar to subsection (1)(e)] For purposes of ~~this section~~ SUBSECTION (1) OF THIS SECTION, "qualified actuary" means a person who:

~~(a)~~ (a) Is a member in good standing of the American Academy of Actuaries, or is experienced, skilled, AND competent to perform actuarial duties, and meets the requirements set forth by ~~regulation~~ RULE of the commissioner; ~~and~~

~~(b)~~ (b) Is qualified to sign statements of actuarial opinion for life and health insurance company annual statements in accordance with the American Academy of Actuaries qualification standards for actuaries signing such statements; ~~and~~

~~(c)~~ (c) Is familiar with the valuation requirements applicable to life and health insurance companies; ~~and~~

~~(d)~~ (d) Has not been found by the commissioner, upon appropriate notice and hearing, or, if so found, has been reinstated as a qualified actuary, to have:

~~(I)~~ (I) Violated any provision of, or any obligation imposed by, the insurance law or other law in the course of his or her dealings as a qualified actuary; ~~or~~

~~(II)~~ (II) Been found guilty of fraudulent or dishonest practices; ~~or~~

~~(III)~~ (III) Demonstrated incompetency, lack of cooperation, or untrustworthiness to act as a qualified actuary; ~~or~~

~~(IV)~~ (IV) Submitted to the commissioner, during the past five years, an actuarial opinion or memorandum that the commissioner rejected because it did not meet the provisions of this ~~statute~~ PART 1 AND PART 7 OF THIS ARTICLE including standards set by the Actuarial Standards Board OR ITS SUCCESSOR; or

~~(V)~~ (V) Resigned or been removed as an actuary within the past five years as a

result of acts or omissions indicated in any adverse report on examination or as a result of failure to adhere to generally acceptable actuarial standards; and

~~(V)~~ (e) Has not failed to notify the commissioner of any action taken by any commissioner of any other state similar to that under ~~subparagraph (IV) of this paragraph~~ ~~(e)~~ (d) OF SUBSECTION (1) OF THIS SECTION;

(2) Actuarial opinion of reserves after the operative date of the valuation manual. ON AND AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL, AS THAT TERM IS DEFINED IN SECTION 10-7-301.5 (7):

(a) EVERY COMPANY WITH OUTSTANDING LIFE INSURANCE CONTRACTS, ACCIDENT AND HEALTH INSURANCE CONTRACTS, OR DEPOSIT-TYPE CONTRACTS IN THIS STATE AND SUBJECT TO REGULATION BY THE COMMISSIONER SHALL ANNUALLY SUBMIT THE OPINION OF THE APPOINTED ACTUARY AS TO WHETHER THE RESERVES AND RELATED ACTUARIAL ITEMS HELD IN SUPPORT OF THE POLICIES AND CONTRACTS ARE COMPUTED APPROPRIATELY, ARE BASED ON ASSUMPTIONS THAT SATISFY CONTRACTUAL PROVISIONS, ARE CONSISTENT WITH PRIOR REPORTED AMOUNTS, AND COMPLY WITH APPLICABLE LAWS OF THIS STATE. THE VALUATION MANUAL WILL PRESCRIBE THE SPECIFICS OF THIS OPINION, INCLUDING ANY ITEM THE COMMISSIONER DEEMS TO BE NECESSARY TO ITS SCOPE.

(b) EVERY OPINION REQUIRED BY THIS SUBSECTION (2) IS GOVERNED BY THE FOLLOWING PROVISIONS:

(I) THE OPINION MUST BE IN FORM AND SUBSTANCE AS SPECIFIED IN THE VALUATION MANUAL AND ACCEPTABLE TO THE COMMISSIONER.

(II) THE OPINION MUST BE SUBMITTED WITH THE ANNUAL STATEMENT REFLECTING THE VALUATION OF RESERVE LIABILITIES FOR EACH YEAR ENDING ON OR AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL.

(III) THE OPINION MUST APPLY TO ALL POLICIES AND CONTRACTS SUBJECT TO THIS PARAGRAPH (b), PLUS OTHER ACTUARIAL LIABILITIES AS MAY BE SPECIFIED IN THE VALUATION MANUAL.

(IV) THE OPINION MUST BE BASED ON STANDARDS ADOPTED FROM TIME TO TIME BY THE ACTUARIAL STANDARDS BOARD OR ITS SUCCESSOR, AND ON SUCH ADDITIONAL STANDARDS AS MAY BE PRESCRIBED IN THE VALUATION MANUAL.

(V) IN THE CASE OF AN OPINION REQUIRED TO BE SUBMITTED BY A FOREIGN OR ALIEN COMPANY, THE COMMISSIONER MAY ACCEPT THE OPINION FILED BY THAT COMPANY WITH THE INSURANCE SUPERVISORY OFFICIAL OF ANOTHER STATE IF THE COMMISSIONER DETERMINES THAT THE OPINION REASONABLY MEETS THE REQUIREMENTS APPLICABLE TO A COMPANY DOMICILED IN THIS STATE.

(VI) EXCEPT IN CASES OF FRAUD OR WILLFUL MISCONDUCT, THE APPOINTED ACTUARY IS NOT LIABLE FOR DAMAGES TO ANY PERSON, OTHER THAN THE INSURANCE COMPANY AND THE COMMISSIONER, FOR ANY ACT, ERROR, OMISSION, DECISION, OR CONDUCT WITH RESPECT TO THE APPOINTED ACTUARY'S OPINION.

(VII) DISCIPLINARY ACTIONS CAPABLE OF BEING TAKEN BY THE COMMISSIONER AGAINST THE COMPANY OR THE APPOINTED ACTUARY MUST BE DEFINED IN RULES PROMULGATED BY THE COMMISSIONER.

(c) EVERY COMPANY WITH OUTSTANDING LIFE INSURANCE CONTRACTS, ACCIDENT AND HEALTH INSURANCE CONTRACTS, OR DEPOSIT-TYPE CONTRACTS IN THIS STATE AND SUBJECT TO REGULATION BY THE COMMISSIONER, EXCEPT AS EXEMPTED IN THE VALUATION MANUAL, SHALL ALSO ANNUALLY INCLUDE IN THE OPINION REQUIRED BY THIS SUBSECTION (2) AN OPINION OF THE SAME APPOINTED ACTUARY AS TO WHETHER THE RESERVES AND RELATED ACTUARIAL ITEMS HELD IN SUPPORT OF THE POLICIES AND CONTRACTS SPECIFIED IN THE VALUATION MANUAL, WHEN CONSIDERED IN LIGHT OF THE ASSETS HELD BY THE COMPANY WITH RESPECT TO THE RESERVES AND RELATED ACTUARIAL ITEMS, INCLUDING THE INVESTMENT EARNINGS ON THE ASSETS AND THE CONSIDERATIONS ANTICIPATED TO BE RECEIVED AND RETAINED UNDER THE POLICIES AND CONTRACTS, MAKE ADEQUATE PROVISION FOR THE COMPANY'S OBLIGATIONS UNDER ITS POLICIES AND CONTRACTS, INCLUDING THE BENEFITS UNDER AND EXPENSES ASSOCIATED WITH THE POLICIES AND CONTRACTS.

(d) EACH OPINION REQUIRED BY PARAGRAPH (c) OF THIS SUBSECTION (2) IS GOVERNED BY THE FOLLOWING PROVISIONS:

(I) A MEMORANDUM, IN FORM AND SUBSTANCE AS SPECIFIED IN THE VALUATION MANUAL AND ACCEPTABLE TO THE COMMISSIONER, MUST BE PREPARED TO SUPPORT EACH ACTUARIAL OPINION.

(II) IF THE INSURANCE COMPANY FAILS TO PROVIDE A SUPPORTING MEMORANDUM AT THE REQUEST OF THE COMMISSIONER WITHIN A PERIOD SPECIFIED IN THE VALUATION MANUAL, OR THE COMMISSIONER DETERMINES THAT THE SUPPORTING MEMORANDUM PROVIDED BY THE INSURANCE COMPANY FAILS TO MEET THE STANDARDS PRESCRIBED BY THE VALUATION MANUAL OR IS OTHERWISE UNACCEPTABLE TO THE COMMISSIONER, THE COMMISSIONER MAY ENGAGE A QUALIFIED ACTUARY AT THE EXPENSE OF THE COMPANY TO REVIEW THE OPINION AND THE BASIS FOR THE OPINION AND PREPARE THE SUPPORTING MEMORANDUM REQUIRED BY THE COMMISSIONER.

SECTION 3. In Colorado Revised Statutes, **add** 10-7-301.5 as follows:

10-7-301.5. Definitions. AS USED IN THIS PART 3, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(1) "ACCIDENT AND HEALTH INSURANCE" MEANS CONTRACTS THAT INCORPORATE MORBIDITY RISK AND PROVIDE PROTECTION AGAINST ECONOMIC LOSS RESULTING FROM ACCIDENT, SICKNESS, OR MEDICAL CONDITIONS AND AS MAY BE SPECIFIED IN THE VALUATION MANUAL.

(2) "APPOINTED ACTUARY" MEANS A QUALIFIED ACTUARY WHO IS APPOINTED IN ACCORDANCE WITH THE VALUATION MANUAL TO PREPARE THE ACTUARIAL OPINION REQUIRED IN SECTION 10-7-114(2).

(3) "COMPANY" MEANS AN ENTITY THAT:

(a) HAS WRITTEN, ISSUED, OR REINSURED LIFE INSURANCE, ACCIDENT AND HEALTH INSURANCE, OR DEPOSIT-TYPE CONTRACTS IN THIS STATE AND HAS AT LEAST ONE SUCH POLICY IN FORCE OR ON CLAIM; OR

(b) HAS WRITTEN, ISSUED, OR REINSURED LIFE INSURANCE, ACCIDENT AND HEALTH INSURANCE, OR DEPOSIT-TYPE CONTRACTS IN ANY STATE AND IS REQUIRED TO HOLD A CERTIFICATE OF AUTHORITY TO WRITE LIFE INSURANCE, ACCIDENT AND HEALTH INSURANCE, OR DEPOSIT-TYPE CONTRACTS IN THIS STATE.

(4) "DEPOSIT-TYPE CONTRACT" MEANS A CONTRACT THAT DOES NOT INCORPORATE MORTALITY OR MORBIDITY RISKS AND AS MAY BE SPECIFIED IN THE VALUATION MANUAL.

(5) "LIFE INSURANCE" MEANS A CONTRACT THAT INCORPORATES MORTALITY RISK, INCLUDING ANNUITY AND PURE ENDOWMENT CONTRACTS AND AS MAY BE SPECIFIED IN THE VALUATION MANUAL.

(6) "NAIC" MEANS THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS.

(7) "OPERATIVE DATE OF THE VALUATION MANUAL" MEANS THE DATE DESCRIBED IN SECTION 10-7-313.3 (2).

(8) "POLICYHOLDER BEHAVIOR" MEANS ANY ACTION A POLICYHOLDER, CONTRACT HOLDER, OR ANY OTHER PERSON WITH THE RIGHT TO ELECT OPTIONS, SUCH AS A CERTIFICATE HOLDER, MAY TAKE UNDER A POLICY OR CONTRACT SUBJECT TO THIS PART 3 INCLUDING LAPSE, WITHDRAWAL, TRANSFER, DEPOSIT, PREMIUM PAYMENT, LOAN, ANNUITIZATION, OR BENEFIT ELECTIONS PRESCRIBED BY THE POLICY OR CONTRACT BUT EXCLUDING EVENTS OF MORTALITY OR MORBIDITY THAT RESULT IN BENEFITS PRESCRIBED IN THEIR ESSENTIAL ASPECTS BY THE TERMS OF THE POLICY OR CONTRACT.

(9) "PRINCIPLE-BASED VALUATION" MEANS A RESERVE VALUATION THAT USES ONE OR MORE METHODS OR ONE OR MORE ASSUMPTIONS DETERMINED BY THE INSURER AND IS REQUIRED TO COMPLY WITH SECTION 10-7-313.4 AS SPECIFIED IN THE VALUATION MANUAL.

(10) "QUALIFIED ACTUARY" MEANS AN INDIVIDUAL WHO IS QUALIFIED TO SIGN THE APPLICABLE STATEMENT OF ACTUARIAL OPINION IN ACCORDANCE WITH THE AMERICAN ACADEMY OF ACTUARIES QUALIFICATION STANDARDS FOR ACTUARIES SIGNING SUCH STATEMENTS AND WHO MEETS THE REQUIREMENTS SPECIFIED IN THE VALUATION MANUAL.

(11) "TAIL RISK" MEANS A RISK THAT OCCURS EITHER WHEN THE FREQUENCY OF LOW PROBABILITY EVENTS IS HIGHER THAN EXPECTED UNDER A NORMAL PROBABILITY DISTRIBUTION OR WHEN THERE ARE OBSERVED EVENTS OF VERY SIGNIFICANT SIZE OR MAGNITUDE.

(12) "VALUATION MANUAL" MEANS THE MANUAL OF VALUATION INSTRUCTIONS ADOPTED BY THE NAIC AS SPECIFIED IN THIS PART 3 OR AS SUBSEQUENTLY AMENDED.

SECTION 4. In Colorado Revised Statutes, 10-7-305.1, **amend** (8) introductory portion, (8) (f), (8) (g), and (9) as follows:

10-7-305.1. Adjusted premiums for new policies - repeal. (8) All adjusted premiums and present values referred to in this part 3 for all policies of ordinary insurance issued on or after the operative date of this section shall be calculated on the basis of the commissioners 1980 standard ordinary mortality table or, at the election of the company for any one or more specified plans of life insurance, on the basis of the commissioners 1980 standard ordinary mortality table with ten-year select mortality factors; for all policies of industrial insurance issued on or after the operative date of this section shall be calculated on the basis of the commissioners 1961 standard industrial mortality table; and for all policies issued in a particular calendar year on or after ~~such~~ THE operative date shall be calculated on the basis of a rate of interest not exceeding the nonforfeiture interest rate as defined in this section for policies issued in that calendar year, subject to the following:

(f) (I) FOR POLICIES ISSUED PRIOR TO THE OPERATIVE DATE OF THE VALUATION MANUAL, any COMMISSIONERS STANDARD ordinary mortality tables, adopted after 1980 by the National Association of Insurance Commissioners, that are approved by ~~regulation~~ RULE promulgated by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the commissioners 1980 standard ordinary mortality table with or without ten-year select mortality factors or for the commissioners 1980 extended term insurance table.

(II) FOR POLICIES ISSUED ON OR AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL, THE VALUATION MANUAL SHALL PROVIDE THE COMMISSIONERS STANDARD MORTALITY TABLE FOR USE IN DETERMINING THE MINIMUM NONFORFEITURE STANDARD THAT MAY BE SUBSTITUTED FOR THE COMMISSIONERS 1980 STANDARD ORDINARY MORTALITY TABLE WITH OR WITHOUT TEN-YEAR SELECT MORTALITY FACTORS OR FOR THE COMMISSIONERS 1980 EXTENDED TERM INSURANCE TABLE. IF THE COMMISSIONER APPROVES BY RULE ANY COMMISSIONERS STANDARD ORDINARY MORTALITY TABLE ADOPTED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS FOR USE IN DETERMINING THE MINIMUM NONFORFEITURE STANDARD FOR POLICIES ISSUED ON OR AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL, THEN THAT MINIMUM NONFORFEITURE STANDARD SUPERSEDES THE MINIMUM NONFORFEITURE STANDARD PROVIDED BY THE VALUATION MANUAL.

(g) (I) FOR POLICIES ISSUED PRIOR TO THE OPERATIVE DATE OF THE VALUATION MANUAL, any COMMISSIONERS STANDARD industrial mortality tables, adopted after 1980 by the national association of insurance commissioners, that are approved by ~~regulation~~ RULE promulgated by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the commissioners 1961 standard industrial mortality table or the commissioners 1961 industrial extended term insurance table.

(II) FOR POLICIES ISSUED ON OR AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL, THE VALUATION MANUAL SHALL PROVIDE THE COMMISSIONERS STANDARD MORTALITY TABLE FOR USE IN DETERMINING THE MINIMUM NONFORFEITURE STANDARD THAT MAY BE SUBSTITUTED FOR THE COMMISSIONERS 1961 STANDARD INDUSTRIAL MORTALITY TABLE OR THE COMMISSIONERS 1961 INDUSTRIAL EXTENDED TERM INSURANCE TABLE. IF THE COMMISSIONER APPROVES BY RULE ANY

COMMISSIONERS STANDARD INDUSTRIAL MORTALITY TABLE ADOPTED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS FOR USE IN DETERMINING THE MINIMUM NONFORFEITURE STANDARD FOR POLICIES ISSUED ON OR AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL, THEN THAT MINIMUM NONFORFEITURE STANDARD SUPERSEDES THE MINIMUM NONFORFEITURE STANDARD PROVIDED BY THE VALUATION MANUAL.

(9) (a) FOR POLICIES ISSUED PRIOR TO THE OPERATIVE DATE OF THE VALUATION MANUAL, the nonforfeiture interest rate per annum for any policy issued in a particular calendar year ~~shall~~ MUST be equal to one hundred twenty-five percent of the calendar year statutory valuation interest rate for such policy as defined in this part 3, rounded to the nearer one-quarter of one percent; EXCEPT THAT THE NONFORFEITURE INTEREST RATE MAY NOT BE LESS THAN FOUR PERCENT.

(b) FOR POLICIES ISSUED ON OR AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL, THE NONFORFEITURE INTEREST RATE PER ANNUM FOR ANY POLICY ISSUED IN A PARTICULAR CALENDAR YEAR MUST BE AS PROVIDED BY THE VALUATION MANUAL.

SECTION 5. In Colorado Revised Statutes, **amend** 10-7-309 as follows:

10-7-309. Minimum standard of valuation. (1) Except as otherwise provided in subsection (2) of this section and in section 10-7-309.5, the minimum standard for the valuation of all policies issued by any domestic or foreign life insurance company, on or after the operative date provided in paragraph (b) of subsection (2) of this section, ~~shall~~ MUST be the commissioners reserve valuation methods defined in sections 10-7-310, 10-7-310.5, and 10-7-313, five percent interest for group annuity and pure endowment contracts and three and one-half percent interest for all other such policies and contracts, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after July 1, 1977, five and one-half percent interest for single-premium life insurance policies and four and one-half percent interest for all other such policies, and the following tables:

(a) For ~~all~~ ordinary policies of life insurance issued on the standard basis, excluding any disability or accidental death benefits in such policies: The commissioners 1958 standard ordinary mortality table, but, for any category of such policies issued on female risks, all modified net premiums and present values referred to in this part 3 may be calculated, at the option of the company, according to an age not more than six years younger than the actual age of the insured; and for such policies issued on or after the operative date of section 10-7-305.1:

(I) The commissioners 1980 standard ordinary mortality table; or

(II) At the election of the company for any one or more specified plans of life insurance, the commissioners 1980 standard ordinary mortality table with ten-year select mortality factors; or

(III) Any ordinary mortality table, adopted after 1980 by the ~~national association of insurance commissioners~~ NAIC, that is approved by ~~regulation~~ RULE promulgated by the commissioner for use in determining the minimum standard of valuation for such policies;

(b) For ~~all~~ industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in ~~such~~ THE policies: The 1941 standard industrial mortality table for ~~such~~ policies issued prior to the operative date of section 10-7-305 (5), and for ~~such~~ policies issued on or after ~~such~~ THE operative date the commissioners 1961 standard industrial mortality table or any industrial mortality table, adopted after 1980 by the ~~national association of insurance commissioners~~ NAIC, that is approved by ~~regulation~~ RULE promulgated by the commissioner for use in determining the minimum standard of valuation for such policies;

(c) For individual annuity and pure endowment policies, excluding any disability and accidental death benefits in such policies: The 1937 standard annuity mortality table or, at the option of the company, the annuity mortality table for 1949, ultimate, or any modification of either of these tables approved by the commissioner;

(d) For group annuity and pure endowment policies, excluding any disability and accidental death benefits in such policies: The group annuity mortality table for 1951, any modification of ~~such~~ THE table approved by the commissioner, or, at the option of the company, any of the tables or modifications of tables specified for individual annuity and pure endowment policies;

(e) For total and permanent disability benefits in or supplementary to ordinary policies: The tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the society of actuaries, with due regard to the type of benefit, or any tables of disablement rates and termination rates, adopted after 1980 by the ~~national association of insurance commissioners~~ NAIC, that are approved by ~~regulation~~ RULE promulgated by the commissioner for use in determining the minimum standard of valuation for ~~such~~ THE policies. Any ~~such~~ table ~~shall~~ MUST, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(f) For accidental death benefits in or supplementary to policies: The 1959 accidental death benefits table or any accidental death benefits table, adopted after 1980 by the ~~national association of insurance commissioners~~ NAIC, that is approved by ~~regulation~~ RULE promulgated by the commissioner for use in determining the minimum standard of valuation for such policies. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

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

(2) (a) Except as provided in section 10-7-309.5, the minimum standard ~~for the~~ OF valuation ~~of all~~ FOR individual annuity and pure endowment contracts issued on or after the operative date of this subsection (2), as defined in paragraph (b) of this subsection (2), and for all annuities and pure endowments purchased on or after said operative date under group annuity and pure endowment contracts, ~~shall~~ MUST be the commissioners reserve valuation methods defined in sections 10-7-310 and 10-7-310.5 and the following tables and interest rates:

(l) For individual single-premium immediate annuity contracts, excluding any

disability and accidental death benefits in such contracts: The 1971 individual annuity mortality table, or any individual annuity mortality table, adopted after 1980 by the ~~national association of insurance commissioners~~ NAIC, that is approved by ~~regulation~~ RULE promulgated by the commissioner for use in determining the minimum standard of valuation for such contracts, or any modification of these tables approved by the commissioner, and seven and one-half percent interest;

(II) For individual annuity and pure endowment contracts, other than single-premium immediate annuity contracts, excluding any disability and accidental death benefits in such contracts: The 1971 individual annuity mortality table, or any individual annuity mortality table, adopted after 1980 by the ~~national association of insurance commissioners~~ NAIC, that is approved by ~~regulation~~ RULE promulgated by the commissioner for use in determining the minimum standard of valuation for such contracts, or any modification of these tables approved by the commissioner, and five and one-half percent interest for single-premium deferred annuity and pure endowment contracts and four and one-half percent interest for all other such individual annuity and pure endowment contracts;

(III) For all annuities and pure endowments purchased under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts: The 1971 group annuity mortality table, or any group annuity mortality table, adopted after 1980 by the ~~national association of insurance commissioners~~ NAIC, that is approved by ~~regulation~~ RULE promulgated by the commissioner for use in determining the minimum standard of valuation for such annuities and pure endowments, or any modification of these tables approved by the commissioner, and seven and one-half percent interest.

(b) On or after July 1, 1977, any company may file with the commissioner a written notice of its election to comply with the provisions of this subsection (2) after a specified date but before January 1, 1979, which ~~shall be~~ is the operative date of this subsection (2) for ~~such~~ A company, but a company may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If a company makes no such election, the operative date of this subsection (2) for such company ~~shall be~~ is January 1, 1979.

SECTION 6. In Colorado Revised Statutes, 10-7-309.5, **amend** (1) introductory portion, (1) (a), (1) (b), (1) (c), and (6) as follows:

10-7-309.5. Minimum standards of valuation for new policies. (1) The calendar year statutory valuation interest rates, as defined in this section, ~~shall~~ MUST be the interest rates used in determining the minimum standard for the valuation of:

(a) ~~All~~ Life insurance policies issued in a particular calendar year, on or after the operative date of section 10-7-305.1;

(b) ~~All~~ Individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1982;

(c) ~~All~~ Annuities and pure endowments purchased in a particular calendar year on or after January 1, 1982, under group annuity and pure endowment contracts; and

(6) In the event that Moody's corporate bond yield average - monthly average corporates is no longer published by Moody's Investors Service, Inc., or in the event that the ~~national association of insurance commissioners~~ NAIC determines that Moody's corporate bond yield average - monthly average corporates, as published by Moody's Investors Service, Inc., is no longer appropriate for the determination of the reference interest rate, then an alternative method for determination of the reference interest rate, which is adopted by the ~~national association of insurance commissioners~~ NAIC and approved by ~~regulation~~ RULE promulgated by the commissioner, may be substituted.

SECTION 7. In Colorado Revised Statutes, 10-7-310.5, **amend** (1) as follows:

10-7-310.5. Individual annuity and pure endowment reserves. (1) ~~The provisions of This section shall apply~~ APPLIES to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under ~~section 408 of~~ the federal "Internal Revenue Code of 1986" (26 U.S.C. sec. 408), as now or hereafter amended.

SECTION 8. In Colorado Revised Statutes, **amend** 10-7-311 as follows:

10-7-311. Minimum aggregate reserves. (1) In no event shall a company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, issued on or after July 1, 1992, be less than the aggregate reserves calculated in accordance with the methods set forth in sections 10-7-310, 10-7-310.5, 10-7-313, and ~~10-7-313.5~~ 10-7-313.1 and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

(2) In no event shall the aggregate reserves for all policies, contracts, and benefits be less than the aggregate reserves determined by the ~~qualified~~ APPOINTED actuary to be necessary to render the opinion required by section 10-7-114.

SECTION 9. In Colorado Revised Statutes, **amend** 10-7-312 as follows:

10-7-312. Optional standards. (1) Reserves for any category of policies or benefits as established by the commissioner may be calculated, at the option of the company, according to any standards ~~which~~ THAT produce greater aggregate reserves for ~~such~~ THE category than those calculated according to the minimum standard provided in this part 3, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, ~~shall~~ MUST not be ~~higher~~ GREATER than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for ~~therein~~ IN THE POLICIES OR CONTRACTS.

(2) Any ~~such~~ company ~~which~~ THAT at any time has adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard provided in this ~~section~~ PART 3 may ADOPT A LOWER STANDARD OF VALUATION with the approval of the commissioner, ~~adopt any lower standard of valuation~~; but not lower than the minimum provided in this ~~section~~ PART

3; except that, for the purposes of this ~~section~~ PART 3, the holding of additional reserves previously determined by a ~~qualified~~ THE APPOINTED actuary to be necessary to render the opinion required by section 10-7-114 shall not be deemed to be the adoption of a higher standard of valuation.

SECTION 10. In Colorado Revised Statutes, **amend** 10-7-313 as follows:

10-7-313. Minimum reserves. (1) If in any contract year the gross premium charged by ~~any life insurance~~ A company on any policy is less than the valuation net premium for the policy calculated by the method used in calculating the reserve ~~thereon~~ ON THE POLICY but using the minimum standards of mortality and rate of interest, the minimum reserve required for ~~such~~ THE policy ~~shall be~~ IS the greater of either the reserve calculated according to the mortality table, rate of interest, and method actually used for ~~such~~ THE policy or the reserve calculated by the method actually used for ~~such~~ THE policy but using the minimum standards of mortality and rate of interest and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium.

(2) The minimum valuation standards of mortality and rate of interest referred to in this section are those standards stated in sections 10-7-309 and 10-7-309.5; except that for any life insurance policy issued on or after January 1, 1985, for which the gross premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess and ~~which~~ THAT provides an endowment benefit, a cash surrender value, or a combination ~~thereof~~ OF ENDOWMENT BENEFIT AND CASH SURRENDER VALUE in an amount greater than ~~such~~ THE excess premium, the ~~foregoing~~ provisions of this section ~~shall~~ MUST be applied as if the method actually used in calculating the reserve for ~~such~~ THE policy were the method described in section 10-7-310, ignoring subsection (1.5) ~~thereof~~ OF THAT SECTION. The minimum reserve at each policy anniversary of ~~such a~~ THE policy ~~shall~~ MUST be the greater of the minimum reserve calculated in accordance with section 10-7-310, including subsection (1.5) ~~thereof~~ OF THAT SECTION, and the minimum reserve calculated in accordance with this section.

SECTION 11. In Colorado Revised Statutes, **add with amended and relocated provisions** 10-7-313.1 and 10-7-313.2 as follows:

10-7-313.1. [Formerly 10-7-313.5] Minimum reserves - exceptions. (1) In the case of any plan of life insurance ~~which~~ THAT provides for future premium determination, the amounts of which are to be determined by the insurance company based on then-present estimates of future experience, or in the case of any plan of life insurance or annuity ~~which~~ THAT is of such a nature that the minimum reserves cannot be determined by the methods described in sections 10-7-310, 10-7-310.5, and 10-7-313, the reserves ~~which~~ THAT are held under any such plan must:

(a) Be appropriate in relation to the benefits and the pattern of premiums for that plan; and

(b) Be computed by a method ~~which~~ THAT is consistent with the principles of this part 3, as such appropriateness and method ~~shall be~~ IS determined by ~~regulations~~

RULES promulgated by the commissioner.

10-7-313.2. [Formerly 10-7-313.7] Minimum standards for other coverages including accident and health insurance contracts - rules. The commissioner may promulgate rules and regulations prescribing minimum standards applicable to the valuation of plans or products not otherwise included within this article and in conformance with standards as adopted by the ~~national association of insurance commissioners~~ NAIC. THE COMMISSIONER SHALL PROMULGATE RULES CONTAINING THE MINIMUM STANDARDS APPLICABLE TO THE VALUATION OF HEALTH PLANS, INCLUDING DISABILITY, SICKNESS, AND ACCIDENT, ISSUED ON OR AFTER THE OPERATIVE DATE OF THIS PART 3 AND PRIOR TO THE OPERATIVE DATE OF THE VALUATION MANUAL. FOR ACCIDENT AND HEALTH INSURANCE CONTRACTS ISSUED ON OR AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL, THE STANDARD PRESCRIBED IN THE VALUATION MANUAL IS THE MINIMUM STANDARD OF VALUATION REQUIRED UNDER SECTION 10-7-101 (2) (a) (IV).

SECTION 12. In Colorado Revised Statutes, **add** 10-7-313.3, 10-7-313.4, 10-7-313.6, 10-7-313.8, and 10-7-313.9 as follows:

10-7-313.3. Valuation manual for policies issued on or after the operative date of the valuation manual - rules. (1) FOR POLICIES ISSUED ON OR AFTER THE OPERATIVE DATE OF THE VALUATION MANUAL, THE STANDARD PRESCRIBED IN THE VALUATION MANUAL IS THE MINIMUM STANDARD OF VALUATION REQUIRED UNDER SECTION 10-7-101 (2) (a) (IV), EXCEPT AS PROVIDED UNDER SUBSECTION (5) OR (7) OF THIS SECTION.

(2) THE OPERATIVE DATE OF THE VALUATION MANUAL IS JANUARY 1 OF THE FIRST CALENDAR YEAR FOLLOWING THE FIRST JULY 1 AS OF WHICH ALL OF THE FOLLOWING HAVE OCCURRED:

(a) THE VALUATION MANUAL HAS BEEN ADOPTED BY THE NAIC BY AN AFFIRMATIVE VOTE OF AT LEAST FORTY-TWO MEMBERS, OR THREE-FOURTHS OF THE MEMBERS VOTING, WHICHEVER IS GREATER.

(b) THE "STANDARD VALUATION LAW", AS AMENDED BY THE NAIC IN 2009, OR LEGISLATION INCLUDING SUBSTANTIALLY SIMILAR TERMS AND PROVISIONS, HAS BEEN ENACTED BY STATES REPRESENTING GREATER THAN SEVENTY-FIVE PERCENT OF THE DIRECT PREMIUMS WRITTEN AS REPORTED IN THE FOLLOWING ANNUAL STATEMENTS SUBMITTED FOR 2008: LIFE, ACCIDENT, AND HEALTH ANNUAL STATEMENTS; HEALTH ANNUAL STATEMENTS; OR FRATERNAL ANNUAL STATEMENTS.

(c) THE "STANDARD VALUATION LAW", AS AMENDED BY THE NAIC IN 2009, OR LEGISLATION INCLUDING SUBSTANTIALLY SIMILAR TERMS AND PROVISIONS, HAS BEEN ENACTED BY AT LEAST FORTY-TWO OF THE FOLLOWING FIFTY-FIVE JURISDICTIONS: THE FIFTY STATES OF THE UNITED STATES, AMERICAN SAMOA, THE AMERICAN VIRGIN ISLANDS, THE DISTRICT OF COLUMBIA, GUAM, AND PUERTO RICO.

(3) UNLESS A CHANGE IN THE VALUATION MANUAL SPECIFIES A LATER EFFECTIVE DATE, CHANGES TO THE VALUATION MANUAL ARE EFFECTIVE ON JANUARY 1 FOLLOWING THE DATE WHEN THE CHANGE TO THE VALUATION MANUAL HAS BEEN

ADOPTED BY THE NAIC BY AN AFFIRMATIVE VOTE REPRESENTING:

(a) AT LEAST THREE-FOURTHS OF THE MEMBERS OF THE NAIC VOTING, BUT NOT LESS THAN A MAJORITY OF THE TOTAL MEMBERSHIP; AND

(b) MEMBERS OF THE NAIC REPRESENTING JURISDICTIONS TOTALING GREATER THAN SEVENTY-FIVE PERCENT OF THE DIRECT PREMIUMS WRITTEN AS REPORTED IN THE FOLLOWING ANNUAL STATEMENTS MOST RECENTLY AVAILABLE PRIOR TO THE VOTE IN PARAGRAPH (a) OF THIS SUBSECTION (3): LIFE, ACCIDENT, AND HEALTH ANNUAL STATEMENTS; HEALTH ANNUAL STATEMENTS; OR FRATERNAL ANNUAL STATEMENTS.

(4) THE VALUATION MANUAL MUST SPECIFY ALL OF THE FOLLOWING:

(a) MINIMUM VALUATION STANDARDS FOR AND DEFINITIONS OF THE POLICIES OR CONTRACTS SUBJECT TO SECTION 10-7-101 (2) (a) (IV). THE MINIMUM VALUATION STANDARDS MUST BE:

(I) THE COMMISSIONERS RESERVE VALUATION METHOD FOR LIFE INSURANCE CONTRACTS, OTHER THAN ANNUITY CONTRACTS, SUBJECT TO SECTION 10-7-101 (2) (a) (IV);

(II) THE COMMISSIONERS ANNUITY RESERVE VALUATION METHOD FOR ANNUITY CONTRACTS SUBJECT TO SECTION 10-7-101 (2) (a) (IV); AND

(III) MINIMUM RESERVES FOR ALL OTHER POLICIES OR CONTRACTS SUBJECT TO SECTION 10-7-101 (2) (a) (IV).

(b) WHICH POLICIES OR CONTRACTS OR TYPES OF POLICIES OR CONTRACTS THAT ARE SUBJECT TO THE REQUIREMENTS OF A PRINCIPLE-BASED VALUATION IN SECTION 10-7-313.4(1) AND THE MINIMUM VALUATION STANDARDS CONSISTENT WITH THOSE REQUIREMENTS;

(c) FOR POLICIES AND CONTRACTS SUBJECT TO A PRINCIPLE-BASED VALUATION UNDER SECTION 10-7-313.4:

(I) REQUIREMENTS FOR THE FORMAT OF REPORTS TO THE COMMISSIONER UNDER SECTION 10-7-313.4 (2) (c), WHICH REPORTS MUST INCLUDE INFORMATION NECESSARY TO DETERMINE WHETHER THE VALUATION IS APPROPRIATE AND IN COMPLIANCE WITH THIS PART 3;

(II) ASSUMPTIONS FOR RISKS OVER WHICH THE COMPANY DOES NOT HAVE SIGNIFICANT CONTROL OR INFLUENCE;

(III) PROCEDURES FOR CORPORATE GOVERNANCE AND OVERSIGHT OF THE ACTUARIAL FUNCTION, AND A PROCESS FOR APPROPRIATE WAIVER OR MODIFICATION OF THE PROCEDURES;

(d) FOR POLICIES NOT SUBJECT TO A PRINCIPLE-BASED VALUATION UNDER SECTION 10-7-313.4, THE MINIMUM VALUATION STANDARD MUST EITHER:

(I) BE CONSISTENT WITH THE MINIMUM STANDARD OF VALUATION PRIOR TO THE OPERATIVE DATE OF THE VALUATION MANUAL; OR

(II) DEVELOP RESERVES THAT QUANTIFY THE BENEFITS, GUARANTEES, AND FUNDING ASSOCIATED WITH THE CONTRACTS AND THEIR RISKS AT A LEVEL OF CONSERVATISM THAT REFLECTS CONDITIONS THAT INCLUDE UNFAVORABLE EVENTS THAT HAVE A REASONABLE PROBABILITY OF OCCURRING;

(e) OTHER REQUIREMENTS, INCLUDING THOSE RELATING TO RESERVE METHODS, MODELS FOR MEASURING RISK, GENERATION OF ECONOMIC SCENARIOS, ASSUMPTIONS, MARGINS, USE OF COMPANY EXPERIENCE, RISK MEASUREMENT, DISCLOSURE, CERTIFICATIONS, REPORTS, ACTUARIAL OPINIONS AND MEMORANDUMS, TRANSITION RULES, AND INTERNAL CONTROLS; AND

(f) THE DATA AND FORM OF THE DATA REQUIRED UNDER SECTION 10-7-313.6, TO WHOM THE DATA MUST BE SUBMITTED, AND THE VALUATION MANUAL MAY SPECIFY OTHER REQUIREMENTS INCLUDING DATA ANALYSES AND REPORTING OF ANALYSES.

(5) IN THE ABSENCE OF A SPECIFIC VALUATION REQUIREMENT OR IF A SPECIFIC VALUATION REQUIREMENT IN THE VALUATION MANUAL IS NOT, IN THE OPINION OF THE COMMISSIONER, IN COMPLIANCE WITH THIS PART 3, THEN THE COMPANY SHALL, WITH RESPECT TO SUCH REQUIREMENTS, COMPLY WITH MINIMUM VALUATION STANDARDS PRESCRIBED BY THE COMMISSIONER BY RULE.

(6) THE COMMISSIONER MAY ENGAGE A QUALIFIED ACTUARY, AT THE EXPENSE OF THE COMPANY, TO PERFORM AN ACTUARIAL EXAMINATION OF THE COMPANY AND OPINE ON THE APPROPRIATENESS OF ANY RESERVE ASSUMPTION OR METHOD USED BY THE COMPANY OR TO REVIEW AND OPINE ON A COMPANY'S COMPLIANCE WITH ANY REQUIREMENT SET FORTH IN THIS PART 3. THE COMMISSIONER MAY RELY UPON THE OPINION, REGARDING PROVISIONS CONTAINED WITHIN THIS PART 3, OF A QUALIFIED ACTUARY ENGAGED BY THE COMMISSIONER OF ANOTHER STATE, DISTRICT, OR TERRITORY OF THE UNITED STATES. AS USED IN THIS SUBSECTION (6), THE TERM "ENGAGE" INCLUDES EMPLOYMENT AND CONTRACTING.

(7) THE COMMISSIONER MAY REQUIRE A COMPANY TO CHANGE ANY ASSUMPTION OR METHOD THAT IN THE OPINION OF THE COMMISSIONER IS NECESSARY IN ORDER TO COMPLY WITH THE REQUIREMENTS OF THE VALUATION MANUAL OR THIS PART 3, AND THE COMPANY SHALL ADJUST THE RESERVES AS REQUIRED BY THE COMMISSIONER. THE COMMISSIONER MAY TAKE OTHER DISCIPLINARY ACTION AS PERMITTED UNDER THIS TITLE.

10-7-313.4. Requirements of a principle-based valuation. (1) A COMPANY SHALL ESTABLISH RESERVES USING A PRINCIPLE-BASED VALUATION THAT MEETS THE FOLLOWING CONDITIONS FOR POLICIES OR CONTRACTS AS SPECIFIED IN THE VALUATION MANUAL. THE VALUATION MUST:

(a) QUANTIFY THE BENEFITS, GUARANTEES, AND FUNDING ASSOCIATED WITH THE CONTRACTS AND THEIR RISKS AT A LEVEL OF CONSERVATISM THAT REFLECTS CONDITIONS THAT INCLUDE UNFAVORABLE EVENTS THAT HAVE A REASONABLE PROBABILITY OF OCCURRING DURING THE LIFETIME OF THE CONTRACTS. FOR POLICIES OR CONTRACTS WITH SIGNIFICANT TAIL RISK, THE VALUATION MUST

REFLECT CONDITIONS APPROPRIATELY ADVERSE TO QUANTIFY THE TAIL RISK.

(b) INCORPORATE ASSUMPTIONS, RISK ANALYSIS METHODS, AND FINANCIAL MODELS AND MANAGEMENT TECHNIQUES THAT ARE CONSISTENT WITH, BUT NOT NECESSARILY IDENTICAL TO, THOSE UTILIZED WITHIN THE COMPANY'S OVERALL RISK ASSESSMENT PROCESS, WHILE RECOGNIZING POTENTIAL DIFFERENCES IN FINANCIAL REPORTING STRUCTURES AND ANY PRESCRIBED ASSUMPTIONS OR METHODS;

(c) INCORPORATE ASSUMPTIONS THAT ARE DERIVED IN ONE OF THE FOLLOWING MANNERS:

(I) THE ASSUMPTION IS PRESCRIBED IN THE VALUATION MANUAL;

(II) FOR ASSUMPTIONS THAT ARE NOT PRESCRIBED, THE ASSUMPTIONS MUST:

(A) BE ESTABLISHED UTILIZING THE COMPANY'S AVAILABLE EXPERIENCE, TO THE EXTENT IT IS RELEVANT AND STATISTICALLY CREDIBLE; OR

(B) TO THE EXTENT THAT COMPANY DATA IS NOT AVAILABLE, RELEVANT, OR STATISTICALLY CREDIBLE, BE ESTABLISHED UTILIZING OTHER RELEVANT, STATISTICALLY CREDIBLE EXPERIENCE;

(d) PROVIDE MARGINS FOR UNCERTAINTY, INCLUDING ADVERSE DEVIATION AND ESTIMATION ERROR, SUCH THAT THE GREATER THE UNCERTAINTY THE LARGER THE MARGIN AND RESULTING RESERVE.

(2) A COMPANY USING A PRINCIPLE-BASED VALUATION FOR ONE OR MORE POLICIES OR CONTRACTS SUBJECT TO THIS SECTION AS SPECIFIED IN THE VALUATION MANUAL MUST:

(a) ESTABLISH PROCEDURES FOR CORPORATE GOVERNANCE AND OVERSIGHT OF THE ACTUARIAL VALUATION FUNCTION CONSISTENT WITH THOSE DESCRIBED IN THE VALUATION MANUAL;

(b) PROVIDE TO THE COMMISSIONER AND THE BOARD OF DIRECTORS AN ANNUAL CERTIFICATION OF THE EFFECTIVENESS OF THE INTERNAL CONTROLS WITH RESPECT TO THE PRINCIPLE-BASED VALUATION. THE COMPANY SHALL DESIGN THE CONTROLS TO ASSURE THAT ALL MATERIAL RISKS INHERENT IN THE LIABILITIES AND ASSOCIATED ASSETS SUBJECT TO THE VALUATION ARE INCLUDED IN THE VALUATION AND THAT VALUATIONS ARE MADE IN ACCORDANCE WITH THE VALUATION MANUAL. THE CERTIFICATION SHALL BE BASED ON THE CONTROLS IN PLACE AS OF THE END OF THE PRECEDING CALENDAR YEAR.

(c) DEVELOP, AND FILE WITH THE COMMISSIONER UPON REQUEST, A PRINCIPLE-BASED VALUATION REPORT THAT COMPLIES WITH STANDARDS PRESCRIBED IN THE VALUATION MANUAL.

(3) A PRINCIPLE-BASED VALUATION MAY INCLUDE A PRESCRIBED FORMULAIC-RESERVE COMPONENT.

10-7-313.6. Experience reporting for policies in force on or after the

operative date of the valuation manual. A COMPANY SHALL SUBMIT MORTALITY, MORBIDITY, POLICYHOLDER BEHAVIOR, OR EXPENSE EXPERIENCE AND OTHER DATA AS PRESCRIBED IN THE VALUATION MANUAL.

10-7-313.8. Confidentiality - definitions. (1) FOR PURPOSES OF THIS SECTION:

(a) "CONFIDENTIAL INFORMATION" MEANS:

(I) A MEMORANDUM IN SUPPORT OF AN OPINION SUBMITTED UNDER SECTION 10-7-114 AND ANY OTHER DOCUMENTS, MATERIALS, AND OTHER INFORMATION, INCLUDING ALL WORKING PAPERS AND COPIES OF WORKING PAPERS, THAT WERE CREATED, PRODUCED, OR OBTAINED BY OR DISCLOSED TO THE COMMISSIONER OR ANY OTHER PERSON IN CONNECTION WITH THE MEMORANDUM;

(II) ALL DOCUMENTS, MATERIALS, AND OTHER INFORMATION INCLUDING ALL WORKING PAPERS AND COPIES OF WORKING PAPERS, THAT WERE CREATED, PRODUCED, OR OBTAINED BY OR DISCLOSED TO THE COMMISSIONER OR ANY OTHER PERSON IN THE COURSE OF AN EXAMINATION MADE UNDER SECTION 10-7-313.3 (6); EXCEPT THAT, IF AN EXAMINATION REPORT OR OTHER MATERIAL PREPARED IN CONNECTION WITH AN EXAMINATION MADE UNDER PART 2 OF ARTICLE 1 OF THIS TITLE IS NOT HELD AS PRIVATE AND CONFIDENTIAL INFORMATION, AN EXAMINATION REPORT OR OTHER MATERIAL PREPARED IN CONNECTION WITH AN EXAMINATION MADE UNDER SECTION 10-7-313.3 (6) IS NOT CONFIDENTIAL INFORMATION TO THE SAME EXTENT AS IF THE EXAMINATION REPORT OR OTHER MATERIAL HAD BEEN PREPARED UNDER PART 2 OF ARTICLE 1 OF THIS TITLE;

(III) ANY REPORTS, DOCUMENTS, MATERIALS, AND OTHER INFORMATION DEVELOPED BY A COMPANY IN SUPPORT OF OR IN CONNECTION WITH AN ANNUAL CERTIFICATION BY THE COMPANY UNDER SECTION 10-7-313.4 (2) (b) THAT EVALUATE THE EFFECTIVENESS OF THE COMPANY'S INTERNAL CONTROLS WITH RESPECT TO A PRINCIPLE-BASED VALUATION AND ANY OTHER DOCUMENTS, MATERIALS, AND OTHER INFORMATION, INCLUDING ALL WORKING PAPERS AND COPIES OF WORKING PAPERS, THAT WERE CREATED, PRODUCED, OR OBTAINED BY OR DISCLOSED TO THE COMMISSIONER OR ANY OTHER PERSON IN CONNECTION WITH THE REPORTS, DOCUMENTS, MATERIALS, AND OTHER INFORMATION;

(IV) ANY PRINCIPLE-BASED VALUATION REPORT DEVELOPED UNDER SECTION 10-7-313.4 (2) (c) AND ANY OTHER DOCUMENTS, MATERIALS, AND OTHER INFORMATION, INCLUDING ALL WORKING PAPERS AND COPIES OF WORKING PAPERS, THAT WERE CREATED, PRODUCED, OR OBTAINED BY OR DISCLOSED TO THE COMMISSIONER OR ANY OTHER PERSON IN CONNECTION WITH THE REPORT; AND

(V) EXPERIENCE DATA, EXPERIENCE MATERIALS, AND ANY OTHER DOCUMENTS, MATERIALS, DATA, AND OTHER INFORMATION, INCLUDING ALL WORKING PAPERS AND COPIES OF WORKING PAPERS, CREATED, PRODUCED, OR OBTAINED BY OR DISCLOSED TO THE COMMISSIONER OR ANY OTHER PERSON IN CONNECTION WITH THE EXPERIENCE MATERIALS.

(b) "EXPERIENCE DATA" MEANS ANY DOCUMENTS, MATERIALS, DATA, AND OTHER INFORMATION SUBMITTED BY A COMPANY UNDER SECTION 10-7-313.6.

(c) "EXPERIENCE MATERIALS" MEANS EXPERIENCE DATA AND ANY OTHER DOCUMENTS, MATERIALS, DATA, AND OTHER INFORMATION, INCLUDING ALL WORKING PAPERS AND COPIES OF WORKING PAPERS, CREATED OR PRODUCED IN CONNECTION WITH THE EXPERIENCE DATA, IN EACH CASE THAT INCLUDE ANY POTENTIALLY COMPANY IDENTIFYING OR PERSONALLY IDENTIFIABLE INFORMATION THAT IS PROVIDED TO OR OBTAINED BY THE COMMISSIONER.

(2) Privilege for, and confidentiality of, confidential information. (a) EXCEPT AS PROVIDED IN THIS SECTION, A COMPANY'S CONFIDENTIAL INFORMATION IS CONFIDENTIAL BY LAW, PRIVILEGED, NOT SUBJECT TO PART 2 OF ARTICLE 72 OF TITLE 24, C.R.S., NOT SUBJECT TO SUBPOENA, AND NOT SUBJECT TO DISCOVERY OR ADMISSIBLE IN EVIDENCE IN ANY PRIVATE CIVIL ACTION; EXCEPT THAT THE COMMISSIONER IS AUTHORIZED TO USE THE CONFIDENTIAL INFORMATION IN THE FURTHERANCE OF ANY REGULATORY OR LEGAL ACTION BROUGHT AGAINST THE COMPANY AS A PART OF THE COMMISSIONER'S OFFICIAL DUTIES.

(b) THE COMMISSIONER OR ANY PERSON WHO RECEIVED CONFIDENTIAL INFORMATION WHILE ACTING UNDER THE AUTHORITY OF THE COMMISSIONER SHALL NOT BE PERMITTED OR REQUIRED TO TESTIFY IN ANY PRIVATE CIVIL ACTION CONCERNING ANY CONFIDENTIAL INFORMATION.

(c)(I) IN ORDER TO ASSIST IN THE PERFORMANCE OF THE COMMISSIONER'S DUTIES, THE COMMISSIONER MAY SHARE CONFIDENTIAL INFORMATION:

(A) WITH OTHER STATE, FEDERAL, AND INTERNATIONAL REGULATORY AGENCIES AND WITH THE NAIC AND ITS AFFILIATES AND SUBSIDIARIES; AND

(B) IN THE CASE OF CONFIDENTIAL INFORMATION SPECIFIED IN SUBPARAGRAPHS (I) AND (IV) OF PARAGRAPH (a) OF SUBSECTION (1) OF THIS SECTION ONLY, WITH THE ACTUARIAL BOARD FOR COUNSELING AND DISCIPLINE, OR ITS SUCCESSOR, UPON REQUEST STATING THAT THE CONFIDENTIAL INFORMATION IS REQUIRED FOR THE PURPOSE OF PROFESSIONAL DISCIPLINARY PROCEEDINGS AND WITH STATE, FEDERAL, AND INTERNATIONAL LAW ENFORCEMENT OFFICIALS.

(II) THE COMMISSIONER MAY SHARE CONFIDENTIAL INFORMATION UNDER SUB-SUBPARAGRAPHS (A) AND (B) OF SUBPARAGRAPH (I) OF THIS PARAGRAPH (c) ONLY IF THE RECIPIENT AGREES, AND HAS THE LEGAL AUTHORITY TO AGREE, TO MAINTAIN THE CONFIDENTIALITY AND PRIVILEGED STATUS OF THE CONFIDENTIAL INFORMATION IN THE SAME MANNER AND TO THE SAME EXTENT AS REQUIRED FOR THE COMMISSIONER.

(d) EXCEPT AS PROVIDED IN THIS SECTION, THE COMMISSIONER MAY RECEIVE DOCUMENTS, MATERIALS, DATA, AND OTHER INFORMATION, INCLUDING OTHERWISE CONFIDENTIAL AND PRIVILEGED DOCUMENTS, MATERIALS, DATA, OR INFORMATION FROM THE NAIC AND ITS AFFILIATES AND SUBSIDIARIES, FROM REGULATORY OR LAW ENFORCEMENT OFFICIALS OF OTHER FOREIGN OR DOMESTIC JURISDICTIONS, AND FROM THE ACTUARIAL BOARD FOR COUNSELING AND DISCIPLINE, OR ITS SUCCESSOR, AND SHALL MAINTAIN AS CONFIDENTIAL OR PRIVILEGED ANY DOCUMENT, MATERIAL, DATA, OR OTHER INFORMATION RECEIVED WITH NOTICE OR THE UNDERSTANDING THAT IT IS CONFIDENTIAL OR PRIVILEGED UNDER THE LAWS OF THE JURISDICTION THAT IS THE SOURCE OF THE DOCUMENT, MATERIAL, DATA, OR

OTHER INFORMATION.

(e) THE COMMISSIONER MAY ENTER INTO AGREEMENTS GOVERNING SHARING AND USE OF INFORMATION CONSISTENT WITH THIS SECTION.

(f) NO WAIVER OF ANY APPLICABLE PRIVILEGE OR CLAIM OF CONFIDENTIALITY IN THE CONFIDENTIAL INFORMATION MAY OCCUR AS A RESULT OF DISCLOSURE TO THE COMMISSIONER UNDER THIS SECTION OR AS A RESULT OF SHARING AS AUTHORIZED IN THIS SECTION.

(g) A COMPANY MAY ASSERT A PRIVILEGE ESTABLISHED UNDER THE LAW OF ANY STATE OR JURISDICTION THAT IS SUBSTANTIALLY SIMILAR TO THE PRIVILEGE ESTABLISHED UNDER THIS SECTION, AND THE PRIVILEGE SHALL BE ENFORCED IN ANY PROCEEDING IN, AND IN ANY COURT OF, THIS STATE.

(h) AS USED IN THIS SECTION, "REGULATORY AGENCY", "LAW ENFORCEMENT AGENCY", AND THE "NAIC" INCLUDE THEIR EMPLOYEES, AGENTS, CONSULTANTS, AND CONTRACTORS.

(3) NOTWITHSTANDING SUBSECTION (2) OF THIS SECTION, CONFIDENTIAL INFORMATION SPECIFIED IN PARAGRAPHS (a) AND (c) OF SUBSECTION (1) OF THIS SECTION:

(a) MAY BE SUBJECT TO SUBPOENA FOR THE PURPOSE OF DEFENDING AN ACTION SEEKING DAMAGES FROM THE APPOINTED ACTUARY SUBMITTING THE RELATED MEMORANDUM IN SUPPORT OF AN OPINION SUBMITTED UNDER SECTION 10-7-114 OR PRINCIPLE-BASED VALUATION REPORT DEVELOPED UNDER SECTION 10-7-313.4 (2) (c) BY REASON OF AN ACTION REQUIRED BY THIS PART 3 OR BY RULES PROMULGATED UNDER THIS PART 3;

(b) MAY OTHERWISE BE RELEASED BY THE COMMISSIONER WITH THE WRITTEN CONSENT OF THE COMPANY; AND

(c) ONCE ANY PORTION OF A MEMORANDUM IN SUPPORT OF AN OPINION SUBMITTED UNDER SECTION 10-7-114 OR A PRINCIPLE-BASED VALUATION REPORT DEVELOPED UNDER SECTION 10-7-313.4 (2) (c) IS CITED BY THE COMPANY IN ITS MARKETING OR IS PUBLICLY VOLUNTEERED TO A GOVERNMENTAL AGENCY OTHER THAN A STATE INSURANCE DEPARTMENT OR IS RELEASED BY THE COMPANY TO THE NEWS MEDIA, ALL PORTIONS OF THE MEMORANDUM OR REPORT ARE NO LONGER CONFIDENTIAL.

10-7-313.9. Single state exemption. (1) THE COMMISSIONER MAY EXEMPT SPECIFIC PRODUCT FORMS OR PRODUCT LINES OF A DOMESTIC COMPANY THAT IS LICENSED AND DOING BUSINESS ONLY IN COLORADO FROM THE REQUIREMENTS OF SECTION 10-7-313.3 IF:

(a) THE COMMISSIONER HAS ISSUED AN EXEMPTION IN WRITING TO THE COMPANY AND HAS NOT SUBSEQUENTLY REVOKED THE EXEMPTION IN WRITING; AND

(b) THE COMPANY COMPUTES RESERVES USING ASSUMPTIONS AND METHODS USED PRIOR TO THE OPERATIVE DATE OF THE VALUATION MANUAL IN ADDITION TO ANY

REQUIREMENTS ESTABLISHED BY THE COMMISSIONER AND PROMULGATED BY RULE.

(2) FOR ANY COMPANY GRANTED AN EXEMPTION UNDER THIS SECTION, SECTIONS 10-7-114 AND 10-7-309 TO 10-7-313.2 ARE APPLICABLE. WITH RESPECT TO ANY COMPANY APPLYING THIS EXEMPTION, ANY REFERENCE TO SECTION 10-7-313.3 FOUND IN SECTIONS 10-7-114 AND 10-7-309 TO 10-7-313.2 IS NOT APPLICABLE.

SECTION 13. Repeal of sections being relocated in this act. In Colorado Revised Statutes, **repeal** 10-7-313.5 and 10-7-313.7.

SECTION 14. Act subject to petition - effective date. This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly (August 5, 2015, if adjournment sine die is on May 6, 2015); except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2016 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

Approved: March 30, 2015