Part 5
Standard Valuation Law

31A-17-501 Standard Valuation Law -- Definitions.

(1) This part is known as the "Standard Valuation Law."

(2) As used in this part, the following definitions apply on or after the operative date of the valuation manual:

(a) Notwithstanding Section 31A-1-301, "accident and health insurance" means a contract that incorporates morbidity risk and provides protection against economic loss resulting from accident, sickness, or medical conditions and as may be specified in the valuation manual.

(b) "Appointed actuary" means a qualified actuary who is appointed in accordance with the valuation manual to prepare the actuarial opinion required in Subsection 31A-17-503(2).

(c) "Company" means an entity that:

(i) has written, issued, or reinsured a life insurance contract, accident and health insurance contract, or deposit-type contract in this state and has at least one such policy in force or on claim; or

(ii) has written, issued, or reinsured a life insurance contract, accident and health insurance contract, or deposit-type contract 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.

(d) "Deposit-type contract" means a contract that does not incorporate mortality or morbidity risks and as may be specified in the valuation manual.

(e) Notwithstanding Section 31A-1-301, "life insurance" means a contract that incorporates mortality risk, including annuity and pure endowment contracts, and as may be specified in the valuation manual.

(f) "Policyholder behavior" means an action that 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, 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.

(g) "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 31A-17-515 as specified in the valuation manual.

(h) "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 the statements and who meets the requirements specified in the valuation manual.

(i) "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.

(j) "Valuation manual" means the manual of valuation instructions adopted in accordance with Section 31A-17-514.

Amended by Chapter 163, 2016 General Session

31A-17-502 Reserve valuation.

(1) The following apply to a policy or contract issued before the operative date of the valuation manual:

(a) The commissioner shall annually value, or cause to be valued, the reserve liabilities, also called "reserves" in this part, for outstanding life insurance policies and annuity and pure endowment contracts, of every life insurance company doing business in this state, issued before the operative date of the valuation manual. In calculating the reserves, the commissioner may use group methods and approximate averages for fractions of a year or otherwise. In lieu of the valuation of the reserves required in this part of any foreign or alien company, the commissioner may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard provided in this part.

(b)

(i) Sections 31A-17-504, 31A-17-505, 31A-17-506, 31A-17-507, 31A-17-508, 31A-17-509, 31A-17-510, 31A-17-511, 31A-17-512, and 31A-17-513 apply to a policy or contract, as appropriate, subject to this part issued before the operative date of the valuation manual.

(ii) Sections 31A-17-514 and 31A-17-515 do not apply to a policy or contract described in Subsection (1)(b)(i).

(2) The following apply to a policy or contract issued on or after the operative date of the valuation manual:

(a) The commissioner shall annually value, or cause to be valued, the reserve liabilities, also called "reserves" in this part, for an outstanding life insurance contract, annuity and pure endowment contract, accident and health contract, and deposit-type contract of every company issued on or after the operative date of the valuation manual. In lieu of the valuation of the reserve liabilities required of a foreign or alien company, the commissioner may accept a valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when the valuation complies with the minimum standard provided in this part.

(b) Sections 31A-17-514 and 31A-17-515 apply to a policy or contract issued on or after the operative date of the valuation manual.

Amended by Chapter 163, 2016 General Session

31A-17-503 Actuarial opinion of reserves.

(1)

(a) For an actuarial opinion before the operative date of the valuation manual, a 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 specified by the commissioner by rule are computed appropriately, are based on assumptions which satisfy contractual provisions, are consistent with prior reported amounts, and comply with applicable laws of this state. The commissioner by rule shall define the specifics of this opinion and add any other items considered to be necessary to its scope.

(b) The following apply to the actuarial analysis of reserves and assets supporting reserves:

(i) A life insurance company, except as exempted by or pursuant to rule, shall also annually include in the opinion required by Subsection (1)(a), 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 rule, 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 the policies and contracts, including the benefits under the expenses associated with the policies and contracts.

(ii) The commissioner may provide by rule for a transition period for establishing any higher reserves which the qualified actuary may consider necessary in order to render the opinion required by this section.

(c) An opinion required by Subsection (1)(b) shall be governed by the following provisions:

(i) A memorandum, in form and substance acceptable to the commissioner as specified by rule, shall 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 by rule or the commissioner determines that the supporting memorandum provided by the insurance company fails to meet the standards prescribed by the 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 supporting memorandum as is required by the commissioner.

(d) An opinion subject to this Subsection (1) shall be governed by the following provisions:

(i) The opinion shall be submitted with the annual statement reflecting the valuation of the reserve liabilities for each year ending on or after December 31, 1993.

(ii) The opinion shall apply to the business in force including individual and group health insurance plans, in form and substance acceptable to the commissioner as specified by rule.

(iii) The opinion shall be based on standards adopted from time to time by the Actuarial Standards Board and on such additional standards as the commissioner may by rule prescribe.

(iv) 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.

(v) For the purposes of this section, "qualified actuary" means a member in good standing of the American Academy of Actuaries who meets the requirements set forth by department rule.

(vi) Except in cases of fraud or willful misconduct, the qualified 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 actuary's opinion.

(vii) Disciplinary action by the commissioner against the company or the qualified actuary shall be defined in rules by the commissioner consistent with Section 31A-2-308 and Title 63G, Chapter 4, Administrative Procedures Act.

(viii)

(A) Any memorandum in support of the opinion, and any other material provided by the company to the commissioner in connection with the opinion, are considered protected records under Section 63G-2-305 and may not be made public and are not subject to subpoena under Subsection 63G-2-202(7), other than for the purpose of defending an action seeking damages from any person by reason of any action required by this section or rules made under this section.

(B) However, the memorandum or other material may otherwise be released by the commissioner with the written consent of the company, or to the American Academy of Actuaries upon request stating that the memorandum or other material is required for the purpose of professional disciplinary proceedings and setting forth procedures satisfactory to the commissioner for preserving the confidentiality of the memorandum or other material.

(C) Once any portion of the confidential memorandum is cited in its marketing or is cited before any governmental agency other than the department or is released to the news media, all portions of the memorandum are no longer confidential.

(2) The following apply to an actuarial opinion of reserves after the operative date of the valuation manual:

(a) A company with an outstanding life insurance contract, accident and health insurance contract, or deposit-type contract in this state and subject to rule made 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 items considered to be necessary to its scope.

(b) A company with an outstanding life insurance contract, accident and health insurance contract, or deposit-type contract in this state and subject to rule made by the commissioner, except as exempted in the valuation manual, shall also annually include in the opinion required by Subsection (2)(a) 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 the policies and contracts, including the benefits under and expenses associated with the policies and contracts.

(c) An opinion required by Subsection (2)(b) shall be governed by the following provisions:

(i) A memorandum, in form and substance as specified in the valuation manual, and acceptable to the commissioner, shall 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.

(d) An opinion subject to this Subsection (2) shall be governed by the following provisions:

(i) The opinion shall be in form and substance as specified in the valuation manual and acceptable to the commissioner.

(ii) The opinion shall be submitted with the annual statement reflecting the valuation of such reserve liabilities for each year ending on or after the operative date of the valuation manual.

(iii) The opinion shall apply to the policies and contracts subject to Subsection (2)(b), plus other actuarial liabilities as may be specified in the valuation manual.

(iv) 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 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 may 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 appointed actuary's opinion.
(vii) Disciplinary action by the commissioner against the company or the appointed actuary shall be defined in rules by the commissioner consistent with Section 31A-2-308 and Title 63G, Chapter 4, Administrative Procedures Act.

Amended by Chapter 163, 2016 General Session

31A-17-504 Computation of minimum standard.

Except as provided in Sections 31A-17-505, 31A-17-506, and 31A-17-513, the minimum standard for the valuation of the life insurance policies and annuity and pure endowment contracts issued before January 1, 1994, shall be that provided by the laws in effect immediately before that date. Except as otherwise provided in Sections 31A-17-505, 31A-17-506, and 31A-17-513, the minimum standard for the valuation of such policies and contracts issued on or after January 1, 1994, shall be the commissioner's reserve valuation methods defined in Sections 31A-17-507, 31A-17-508, 31A-17-511, and 31A-17-513, 3.5% interest, or in the case of life insurance policies and contracts, other than annuity and pure endowment contracts, issued on or after June 1, 1973, 4% interest for such policies issued before April 2, 1980, 5.5% interest for single premium life insurance policies, and 4.5% interest for all other such policies issued on and after April 2, 1980, and the following tables:

(1) For an ordinary policy of life insurance issued on the standard basis, excluding any accident and health and accidental death benefits in the policy, the Commissioner's 1941 Standard Ordinary Mortality Table for such policies issued before the operative date of Subsection 31A-22-408(6)(a), the Commissioner's 1958 Standard Ordinary Mortality Table for such policies issued on or after the operative date of Subsection 31A-22-408(6)(a) and before the operative date of Subsection 31A-22-408(6)(d), provided that for any category of such policies issued on female risks, all modified net premiums and present values referred to in this section may be calculated 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 Subsection 31A-22-408(6)(d):
  (a) the Commissioner's 1980 Standard Ordinary Mortality Table;
  (b) at the election of the company for any one or more specified plans of life insurance, the Commissioner's 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors; or
  (c) any ordinary mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule made by the commissioner for use in determining the minimum standard of valuation for such policies.

(2) For an industrial life insurance policy issued on the standard basis, excluding any accident and health and accidental death benefits in the policy, the 1941 Standard Industrial Mortality Table for the policy issued before the operative date of Subsection 31A-22-408(6)(c), and for such policies issued on or after such operative date, the Commissioner's 1961 Standard Industrial Mortality Table or any industrial mortality table, adopted after 1980 by the National Association

of Insurance Commissioners, that is approved by rule made by the commissioner for use in determining the minimum standard of valuation for such policies.

(3) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies:

(a) the 1937 Standard Annuity Mortality Table;

(b) at the option of the company, the Annuity Mortality Table for 1949, Ultimate; or

(c) any modification of either of these tables approved by the commissioner.

(4) For group annuity and pure endowment contracts, excluding any accident and health and accidental death benefits in such policies:

(a) the Group Annuity Mortality Table for 1951, any modification of such table approved by the commissioner; or

(b) at the option of the company, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

(5) For total and permanent disability benefits in or supplementary to ordinary policies or contracts:

(a)

(i) for a policy or contract issued on or after January 1, 1966, 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, that are approved by rule made by the commissioner for use in determining the minimum standard of valuation for the policy;

(ii) for a policy or contract issued on or after January 1, 1961, and before January 1, 1966, either such tables or, at the option of the company, the Class (3) Disability Table (1926); and

(iii) for a policy issued before January 1, 1961, the Class (3) Disability Table (1926).

(b) A table described in this Subsection (5) shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(6) For accidental death benefits in or supplementary to policies issued on or after January 1, 1966, the 1959 Accidental Death Benefits Table or any accidental death benefits table adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule made by the commissioner for use in determining the minimum standard of valuation for such policies, for policies issued on or after January 1, 1961, and before January 1, 1966, either such table or, at the option of the company, the Inter-Company Double Indemnity Mortality Table, and for policies issued before January 1, 1961, the Inter-Company Double Indemnity Mortality Table. Either table shall be combined with a mortality table for calculating the reserves for life insurance policies.

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

Amended by Chapter 163, 2016 General Session

31A-17-505 Computation of minimum standard for annuities.

(1) Except as provided in Section 31A-17-506, the minimum standard of valuation for individual annuity and pure endowment contracts issued on or after the operative date of this section, as defined in Subsection (2), and for annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts, shall be the commissioner's reserve valuation methods defined in Sections 31A-17-507 and 31A-17-508 and the following tables and interest rates:

(a) for individual annuity and pure endowment contracts issued before April 2, 1980, excluding any accident and health and accidental death benefits in the contracts:

(i)

(A) the 1971 Individual Annuity Mortality Table; or

(B) any modification of the 1971 Individual Annuity Mortality Table approved by the commissioner;

(ii) 6% interest for single premium immediate annuity contracts; and

(iii) 4% interest for all other individual annuity and pure endowment contracts;

(b) for individual single premium immediate annuity contracts issued on or after April 2, 1980, excluding any accident and health and accidental death benefits in the contracts:

(i)

(A) any individual annuity mortality table that is approved by rule made by the commissioner for use in determining the minimum standard of valuation for such contracts; or

(B) any modification of a table described in Subsection (1)(b)(i)(A) approved by the commissioner; and

(ii) 7.5% interest;

(c) for individual annuity and pure endowment contracts issued on or after April 2, 1980, other than single premium immediate annuity contracts, excluding any accident and health and accidental death benefits in the contracts:

(i)

(A) any individual annuity mortality table that is approved by rule made by the commissioner for use in determining the minimum standard of valuation for such contracts; or

(B) any modification of a table described in Subsection (1)(c)(i)(A) approved by the commissioner;

(ii) 5.5% interest for single premium deferred annuity and pure endowment contracts; and

(iii) 4.5% interest for all other such individual annuity and pure endowment contracts;

(d) for the annuities and pure endowments purchased before April 2, 1980, under group annuity and pure endowment contracts, excluding any accident and health and accidental death benefits purchased under the contracts:

(i)

(A) the 1971 Group Annuity Mortality Table; or

(B) any modification of the 1971 Group Annuity Mortality Table approved by the commissioner; and

(ii) 6.5% interest; and

(e) for the annuities and pure endowments purchased on or after April 2, 1980, under group annuity and pure endowment contracts, excluding any accident and health and accidental death benefits purchased under the contracts:

(i)

(A) any group annuity mortality table that is approved by rule made by the commissioner for use in determining the minimum standard of valuation for such annuities and pure endowments; or

(B) any modification of a table described in Subsection (1)(e)(i)(A) approved by the commissioner; and

(ii) 7.5% interest.

(2)

(a) After June 1, 1973, any company may file with the commissioner a written notice of its election to comply with this section after a specified date before January 1, 1979, which shall be the operative date of this section for the company.

(b) If a company does not make an election under Subsection (2)(a), the operative date of this section for the company shall be January 1, 1979.

Amended by Chapter 163, 2016 General Session

31A-17-506 Computation of minimum standard by calendar year of issue.

(1) The interest rates used in determining the minimum standard for the valuation shall be the calendar year statutory valuation interest rates as defined in this section for:

(a) life insurance policies issued in a particular calendar year, on or after the operative date of Subsection 31A-22-408(6)(d);

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

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

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

(2) Calendar year statutory valuation interest rates:

(a) The calendar year statutory valuation interest rates, "I," shall be determined as follows and the results rounded to the nearer 1/4 of 1%:

(i) for life insurance: I = .03 + W(R1 - .03) + (W/2)(R2 - .09);

(ii) for single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options: I = .03 + W(R - .03), where R1 is the lesser of R and .09, R2 is the greater of R and .09, R is the reference interest rate defined in Subsection (4), and W is the weighting factor defined in this section;

(iii) for other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis, except as stated in Subsection (2)(a)(ii), the formula for life insurance stated in Subsection (2)(a)(i) shall apply to annuities and guaranteed interest contracts with guarantee durations in excess of 10 years, and the formula for single premium immediate annuities stated in Subsection (2)(a)(ii) shall apply to annuities and guaranteed interest contracts with guarantee duration of 10 years or less;

(iv) for other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the formula for single premium immediate annuities stated in Subsection (2)(a)(ii) shall apply; and

(v) for other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, the formula for single premium immediate annuities stated in Subsection (2)(a)(ii) shall apply.

(b) However, if the calendar year statutory valuation interest rate for any life insurance policies issued in any calendar year determined without reference to this sentence differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than one-half of 1% the calendar year statutory valuation interest rate for such life insurance policies shall be equal to the corresponding actual rate for the immediately preceding calendar year. For purposes of applying the immediately preceding sentence, the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year shall be determined for 1980, using the reference interest rate defined in 1979, and shall be determined for each subsequent calendar year regardless of when Subsection 31A-22-408(6)(d) becomes operative.

(3) Weighting factors:

(a) The weighting factors referred to in the formulas stated in Subsection (2) are given in the following tables:

(i)

(A) Weighting factors for life insurance:

Guarantee Duration (Years)	Weighting Factors
10 or less:	.50
More than 10, but less than 20:	.45
More than 20:	.35.

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

(ii) Weighting factor for single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options: .80

(iii) Weighting factors for other annuities and for guaranteed interest contracts, except as stated in Subsection (3)(a)(ii), shall be as specified in the tables in Subsections (3)(a)(iii)(A), (B), and (C), according to the rules and definitions in Subsection (3)(b):

(A) For annuities and guaranteed interest contracts valued on an issue year basis:

Guarantee Duration (Years)	Weighting Factors for Plan Type		
	A	B	C
5 or less:	.80	.60	.50
More than 5, but not more than 10:	.75	.60	.50
More than 10, but not more than 20:	.65	.50	.45
More than 20:	.45	.35	.35

	Plan Type		
	A	B	C
(B) For annuities and guaranteed interest contracts valued on a change in fund basis, the factors shown in Subsection (3)(a)(iii)(A) increased by:	.15	.25	.05

	Plan Type		
	A	B	C
(C) For annuities and guaranteed interest contracts valued on an issue year basis, other than those with no cash settlement options, which do not guarantee interest on considerations received more than one year after issue or purchase and for annuities and guaranteed interest contracts valued on a change in fund basis which do not guarantee interest rates on considerations received more than 12 months beyond the valuation date, the			

factors shown in Subsection (3)(a)(iii)(A) or derived in Subsection (3)(a)(iii)(B) increased by:	.05	.05	.05.

(b)

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

(ii) Plan type as used in the tables in this Subsection (3) is defined as follows:

(A) Plan Type A: At any time policyholder may withdraw funds only:

(I) with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company;

(II) without such adjustment but in installments over five years or more;

(III) as an immediate life annuity; or

(IV) no withdrawal permitted.

(B)

(I) Plan Type B: Before expiration of the interest rate guarantee, policyholder withdraw funds only:

(Aa) with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company;

(Bb) without such adjustment but in installments over five years or more; or

(Cc) no withdrawal permitted.

(II) At the end of interest rate guarantee, funds may be withdrawn without such adjustment in a single sum or installments over less than five years.

(C) Plan Type C: Policyholder may withdraw funds before expiration of interest rate guarantee in a single sum or installments over less than five years either:

(I) without adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company; or

(II) subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund.

(iii) A company may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue year basis or on a change in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options shall be valued on an issue year basis. As used in this section, an issue year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract, and the change in fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

(4) Reference interest rate: "Reference interest rate" referred to in Subsection (2)(a) is defined as follows:

(a) For life insurance, the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30 of the calendar year next preceding the year of issue, of the Monthly Average of the composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.

(b) For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the average over a period of 12 months, ending on June 30 of the calendar year of issue or year of purchase, of the Monthly Average of the Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.

(c) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year of issue basis, except as stated in Subsection (4)(b), with guarantee duration in excess of 10 years, the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of the Monthly Average of the Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.

(d) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year of issue basis, except as stated in Subsection (4)(b), with guarantee duration of 10 years or less, the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of the Monthly Average of the Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.

(e) For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of the Monthly Average of the Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.

(f) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, except as stated in Subsection (4)(b), the average over a period of 12 months, ending on June 30 of the calendar year of the change in the fund, of the Monthly Average of the Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.

(5) Alternative method for determining reference interest rates: In the event that the Monthly Average of the Composite Yield on Seasoned Corporate Bonds is no longer published by Moody's Investors Service, Inc. or in the event that the National Association of Insurance Commissioners determines that the Monthly Average of the Composite Yield on Seasoned Corporate Bonds 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 and approved by rule made by the commissioner, may be substituted.

Amended by Chapter 163, 2016 General Session

31A-17-507 Reserve valuation method -- Life insurance and endowment benefits.

(1) Except as otherwise provided in Sections 31A-17-508, 31A-17-511, and 31A-17-513, reserves according to the commissioner's reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net

premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of Subsection (1)(a) over Subsection (1)(b), as follows:

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

(b) A net one year term premium for such benefits provided for in the first policy year.

(2)

(a) Provided that for any life insurance policy issued on or after January 1, 1997, for which the contract 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 provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than such excess premium, the reserve according to the commissioner's reserve valuation method as of any policy anniversary occurring on or before the assumed ending date defined in this Subsection (2) as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than such excess premium shall, except as otherwise provided in Section 31A-17-511, be the greater of the reserve as of such policy anniversary calculated as described in Subsection (1) and the reserve as of such policy anniversary calculated as described in that subsection, but with:

(i) the value defined in Subsection (1)(a) being reduced by 15% of the amount of such excess first year premium;

(ii) the present values of benefits and premiums being determined without reference to premiums or benefits provided for by the policy after the assumed ending date;

(iii) the policy being assumed to mature on such date as an endowment; and

(iv) the cash surrender value provided on such date being considered as an endowment benefit.

(b) In making the comparison described in Subsection (2)(a), the mortality and interest bases stated in Sections 31A-17-504 and 31A-17-506 shall be used.

(3) Reserves according to the commissioner's reserve valuation method for:

(a) life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums;

(b) 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, Internal Revenue Code;

(c) accident and health and accidental death benefits in all policies and contracts; and

(d) other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by other annuity and pure endowment contracts, shall be calculated by a method consistent with the principles of Subsections (1) and (2).

Amended by Chapter 163, 2016 General Session

31A-17-508 Reserve valuation method -- Annuity and pure endowment benefits.

(1) This section shall apply 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, Internal Revenue Code.

(2) Reserves according to the commissioner's annuity reserve method for benefits under annuity or pure endowment contracts, excluding any accident and health and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of such contract, that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate, or rates, specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.

Amended by Chapter 116, 2001 General Session

31A-17-509 Minimum reserves.

(1) In no event shall a company's aggregate reserves for life insurance policies, excluding accident and health and accidental death benefits, issued on or after January 1, 1994, be less than the aggregate reserves calculated in accordance with the methods set forth in Sections 31A-17-507, 31A-17-508, 31A-17-511, and 31A-17-512 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 policies, contracts, and benefits be less than the aggregate reserves determined by the appointed actuary to be necessary to render the opinion required by Section 31A-17-503.

Amended by Chapter 163, 2016 General Session

31A-17-510 Optional reserve calculation.

(1) Reserves for policies and contracts issued before January 1, 1994, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for such policies and contracts than the minimum reserves required by the laws in effect immediately before that date. Reserves for any category of policies, contracts, or benefits as established by the commissioner, issued on or after January 1, 1994, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard provided in this part, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, may not be greater than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided in the policy or contract.

(2) Any such company which at any time shall have adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard provided in this part may, with the approval of the commissioner, adopt any lower standard of valuation, but not lower than the minimum provided in this part, except that, for the purposes of this section, the holding of additional reserves previously determined by the appointed actuary to be necessary to render the opinion required by Section 31A-17-503 may not be considered to be the adoption of a higher standard of valuation.

Amended by Chapter 163, 2016 General Session

31A-17-511 Reserve calculation -- Valuation net premium exceeding the gross premium charged.

(1) If in any contract year the gross premium charged by any company on any policy or contract is less than the valuation net premium for the policy or contract calculated by the method used in calculating the reserve thereon but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for such policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest, and method actually used for such policy or contract, or the reserve calculated by the method actually used for such policy or contract but using the minimum valuation 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. The minimum valuation standards of mortality and rate of interest referred to in this section are those standards stated in Sections 31A-17-504 and 31A-17-506.

(2) Provided that for any life insurance policy issued on or after January 1, 1997, 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 provides an endowment benefit or a cash surrender value or a combination of an endowment benefit and cash surrender value in an amount greater than such excess premium, this section shall be applied as if the method actually used in calculating the reserve for such policy were the method described in Section 31A-17-507, ignoring Subsection 31A-17-507(2). The minimum reserve at each policy anniversary of such a policy shall be the greater of the minimum reserve calculated in accordance with Section 31A-17-507, including Subsection 31A-17-507(2), and the minimum reserve calculated in accordance with this section.

Amended by Chapter 163, 2016 General Session

31A-17-512 Reserve calculation -- Indeterminate premium plans.

In the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurance company based on then estimates of future experience, or in the case of any plan of life insurance or annuity which is of such a nature that the minimum reserves cannot be determined by the methods described in Sections 31A-17-507, 31A-17-508, and 31A-17-511, the reserves which are held under any such plan shall:

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

(2) be computed by a method which is consistent with the principles of this part, as determined by rules promulgated by the commissioner.

Amended by Chapter 258, 2015 General Session

31A-17-513 Minimum standards for accident and health insurance contracts.

(1) For an accident and health insurance contract issued before the operative date of the valuation manual, the minimum standard of valuation is the standard adopted by the commissioner by rule.

(2) For an accident and health insurance contract 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 Subsection 31A-17-502(2).

Repealed and Re-enacted by Chapter 163, 2016 General Session

31A-17-514 Valuation manual for policies issued on or after the operative date of the valuation manual.

(1) For a policy 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 Subsection 31A-17-502(2), except as provided under Subsection (5) or (6).

(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 is adopted by the National Association of Insurance Commissioners by an affirmative vote of at least 42 members, or three-fourths of the members voting, whichever is greater;

(b) the Standard Valuation Law, as amended by the National Association of Insurance Commissioners in 2009, or legislation including substantially similar terms and provisions, has been enacted by states representing greater than 75% of the direct premiums written as reported in the following annual statements submitted for 2008:

(i) life;

(ii) accident and health annual statements;

(iii) health annual statements; or

(iv) fraternal annual statements; and

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

(i) the 50 states of the United States;

(ii) American Samoa;

(iii) the American Virgin Islands;

(iv) the District of Columbia;

(v) Guam; and

(vi) Puerto Rico.

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

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

(b) members of the National Association of Insurance Commissioners representing jurisdictions totaling greater than 75% of the direct premiums written as reported in the following annual statements most recently available before the vote in Subsection (3)(a):

(i) life;

(ii) accident and health annual statements;

(iii) health annual statements; or

(iv) fraternal annual statements.

(4) The valuation manual shall specify all of the following:

(a) minimum valuation standards for and definitions of a policy or contract subject to Subsection 31A-17-502(2), except such minimum valuation standards shall be:

(i) the commissioner's reserve valuation method for life insurance contracts, other than annuity contracts, subject to Subsection 31A-17-502(2);

(ii) the commissioner's annuity reserve valuation method for annuity contracts subject to Subsection 31A-17-502(2); and

(iii) minimum reserves for other policies or contracts subject to Subsection 31A-17-502(2);

(b) which policies or contracts or types of policies or contracts are subject to the requirements of a principle-based valuation in Subsection 31A-17-515(1) and the minimum valuation standards consistent with those requirements;

(c) for policies and contracts subject to a principle-based valuation under Section 31A-17-515:

(i) requirements for the format of reports to the commissioner under Subsection 31A-17-515(2)(c), which shall include information necessary to determine if the valuation is appropriate in compliance with this part;

(ii) prescribed assumptions for risks over which the company does not have significant control; and

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

(d) for policies not subject to a principle-based valuation under Section 31A-17-515 the minimum valuation standard shall either:

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

(ii) develop reserves that quantify the benefits and guarantees, and the funding, associated with the 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 31A-17-516, with whom the data must be submitted, and 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, then the company shall, with respect to the requirement, 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. The commissioner may rely upon the opinion, regarding provisions contained within this part, of a qualified actuary engaged by the commissioner of another state, district, or territory of the United States. As used in this Subsection (6), "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, and the company shall adjust the reserves as required by the commissioner. The commissioner may take other disciplinary action as permitted pursuant to Section 31A-2-308 and Title 63G, Chapter 4, Administrative Procedures Act.

Enacted by Chapter 163, 2016 General Session

31A-17-515 Requirements of a principle-based valuation.

(1) A company shall establish reserves using a principle-based valuation that meets the following conditions for a policy or contract as specified in the valuation manual:
(a) A company shall quantify the benefits and guarantees, and the funding, associated with the policy or contract and the policy's or contract's risks at a level of conservatism that reflects:
(i) conditions that include unfavorable events that have a reasonable probability of occurring during the lifetime of the policies or contracts; and
(ii) for polices or contracts with significant tail risk, conditions appropriately adverse to quantify the tail risk.
(b) The company shall incorporate assumptions, risk analysis methods, and financial models and management techniques that are consistent with, but not necessarily identical to, those used within the company's overall risk assessment process, while recognizing potential differences in financial reporting structures and any prescribed assumptions or methods.
(c) The company shall incorporate assumptions that are derived in one of the following manners:
(i) the assumption is prescribed in the valuation manual; and
(ii) for assumptions that are not prescribed, the assumptions shall:
(A) be established using 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 using other relevant, statistically credible experience.
(d) The company shall 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 shall:
(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:
(i) which controls shall be designed to assure that all material risks inherent in the liabilities and associated assets subject to such valuation are included in the valuation, and that valuations are made in accordance with the valuation manual; and
(ii) the certification shall be based on the controls in place as of the end of the preceding calendar year; and
(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.

Enacted by Chapter 163, 2016 General Session

31A-17-516 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.

Enacted by Chapter 163, 2016 General Session

31A-17-517 Confidentiality.

(1) For purposes of this section, "confidential information" means:

(a) a memorandum in support of an opinion submitted under Section 31A-17-503 and any other document, material, and other information, including working papers, and copies of a document, material, and other information, created, produced, or obtained by or disclosed to the commissioner or any other person in connection with the memorandum;

(b) a document, material, and other information, including working papers, and copies of a document, material, and other information created, produced, or obtained by or disclosed to the commissioner or any other person in the course of an examination made under Subsection 31A-17-514(6), except that if an examination report or other material prepared in connection with an examination made under Sections 31A-2-203 through 31A-2-205 is not held as private and confidential information under Sections 31A-2-203 through 31A-2-205, an examination report or other material prepared in connection with an examination made under Subsection 31A-17-514(6) may not be confidential information to the same extent as if the examination report or other material had been prepared under Sections 31A-2-203 through 31A-2-205;

(c) a report, document, material, or other information developed by a company in support of, or in connection with, an annual certification by the company under Subsection 31A-17-515(2)(b) evaluating the effectiveness of the company's internal controls with respect to a principle-based valuation and any other document, material, and other information, including working papers, and copies of the document, material, and other information, created, produced, or obtained by or disclosed to the commissioner or any other person in connection with such reports, documents, materials, and other information;

(d) any principle-based valuation report developed under Subsection 31A-17-515(2)(c) and any other document, material, and other information, including working papers, and copies of the document, material, and other information, created, produced, or obtained by or disclosed to the commissioner or any other person in connection with such report; and

(e) any document, material, data, and other information submitted by a company under Section 31A-17-516, collectively, "experience data," and any other document, material, data, or other information, including working papers, and copies of the document, material, data, and information created or produced in connection with such experience data, in each case that include any potentially company-identifying or personally identifiable information, that is provided to or obtained by the commissioner, together with any "experience data," the "experience materials," and any other document, material, data, and other information, including working papers, and copies of the document, material, data, and other information created, produced, or obtained by or disclosed to the commissioner or any other person in connection with such experience materials.

(2)

(a) Except as provided in this section, a company's confidential information is confidential, not public records, not open to public inspection, and not subject to Title 63G, Chapter 2, Government Records Access and Management Act.

(b) 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.

(c) In order to assist in the performance of the commissioner's duties, the commissioner may share confidential information:

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

(ii) in the case of confidential information specified in Subsections (1)(a) and (1)(d) 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; and

(iii) in the case of Subsections (2)(c)(i) and (ii), provided that the recipient agrees, and has the legal authority to agree, to maintain the confidentiality of a document, material, data, and other information in the same manner and to the same extent as required for the commissioner.

(d) The commissioner may receive a document, material, data, and other information, including an otherwise confidential document, material, data, or information, from the National Association of Insurance Commissioners 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 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, or other information.

(e) The commissioner may enter into agreements governing sharing and use of information consistent with this Subsection (2).

(f) No waiver of an applicable privilege or claim of confidentiality in the confidential information shall occur as a result of disclosure to the commissioner under this section or as a result of sharing as authorized in Subsection (2)(c).

(g) A privilege established under the law of any state or jurisdiction that is substantially similar to the confidentiality established under this Subsection (2) shall be available and enforced in any proceeding in, and in any court of, this state.

(h) In this section "regulatory agency," "law enforcement agency," and the "National Association of Insurance Commissioners" include their employees, agents, consultants, and contractors.

(3) Notwithstanding Subsection (2), confidential information specified in Subsections (1)(a) and (1)(d):

(a) may be subject to subpoena for the purpose of defending an action seeking damages from the appointed actuary who submitted the related memorandum in support of an opinion submitted under Section 31A-17-503 or principle-based valuation report developed under Subsection 31A-17-515(2)(c) by reason of an action required by this part or by rules made under this part;

(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 31A-17-503 or a principle-based valuation report developed under Subsection 31A-17-515(2)(c) is cited by the company in its marketing or is publicly volunteered to or before 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 shall no longer be confidential.

Enacted by Chapter 163, 2016 General Session

31A-17-518 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 Utah from the requirements of Section 31A-17-514 provided:

(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 before the operative date of the valuation manual in addition to any requirements established by the commissioner and made by rule.

(2) For any company granted an exemption under this section, Sections 31A-17-503, 31A-17-504, 31A-17-505, 31A-17-506, 31A-17-507, 31A-17-508, 31A-17-509, 31A-17-510, 31A-17-511, 31A-17-512, and 31A-17-513 are applicable. With respect to any company applying this exemption, any reference to Section 31A-17-514 found in Sections 31A-17-503, 31A-17-504, 31A-17-505, 31A-17-506, 31A-17-507, 31A-17-508, 31A-17-509, 31A-17-510, 31A-17-511, 31A-17-512, and 31A-17-513 is not applicable.

Enacted by Chapter 163, 2016 General Session

31A-17-519 Small company exemption.

(1) A company that is licensed and doing business in Utah, and whose reserves are computed subject to the requirements of Subsection 31A-17-502(2), may hold reserves for life insurance policies based on the mortality tables and interest rates defined by the valuation manual for net premium reserves and using the methodology defined in Sections 31A-17-507 through 31A-17-512 as they apply to ordinary life insurance in lieu of the reserves required by Sections 31A-17-514 and 31A-17-515, provided that all of the following conditions have been met:

(a) the company has less than $300,000,000 of ordinary life premium;

(b) if the company is a member of a group of life insurers, the group has combined ordinary life premiums of less than $600,000,000;

(c) the company reported total adjusted capital of at least 450% of Authorized Control Level Risk Based Capital in the risk-based capital report for the prior calendar year;

(d) the appointed actuary has provided an unqualified opinion on the reserves in accordance with Subsection 31A-17-503(2) for the prior calendar year;

(e) the company has provided a certification by a qualified actuary that any universal life policy with a secondary guarantee issued after the operative date of the valuation manual meets the definition of a non-material secondary guarantee universal life product as defined in the valuation manual;

(f) the company has filed by July 1 of the calendar year for which valuation under Subsection 31A-17-502(2) is required a statement with its domiciliary commissioner certifying that these conditions are met and that the company intends to calculate reserves as described in this section; and

(g) the company's domiciliary commissioner has not informed the company in writing before September 1 of the calendar year for which valuation under Subsection 31A-17-502(2) is required that the company must comply with the valuation manual requirements for life insurance reserves.

(2) For purposes of Subsections (1)(a) and (b), ordinary life premiums are measured as direct premium plus reinsurance assumed from an unaffiliated company, as reported in the prior calendar year annual statement.

Enacted by Chapter 163, 2016 General Session