

SUBSTITUTE FOR
HOUSE BILL NO. 5514

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending sections 834, 835, and 836b (MCL 500.834, 500.835, and
500.836b), section 834 as amended and section 836b as added by 2014
PA 571 and section 835 as amended by 1982 PA 221, and by adding
section 835a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 834. (1) Except as otherwise provided in sections 835,
2 **835A**, 836, and 837, the minimum standard for the valuation of
3 policies and contracts described in subsection (8) is the
4 commissioner's reserve valuation methods defined in subsections
5 (2), (3), and (6), 5% interest for group annuity and pure endowment
6 contracts if prior notice of any revaluation of reserves with
7 respect to group annuity and pure endowment contracts is given to
8 the director in the same manner as is required before a revaluation

1 of reserves under section 832(2), and 3-1/2% interest for all other
2 of those policies and contracts; or for policies and contracts,
3 other than annuity and pure endowment contracts, issued after
4 October 20, 1974, 4% interest for those policies issued before
5 October 1, 1980, and 4-1/2% interest for those policies issued
6 after September 30, 1980, or for life insurance contracts, other
7 than annuity and pure endowment contracts, issued after December
8 31, 1994, 5-1/2% interest for single premium life insurance
9 policies and 4-1/2% interest for all other policies, and the
10 following tables:

11 (a) For all ordinary policies of life insurance issued on the
12 standard basis, excluding any disability and accidental death
13 benefits in those policies: the ~~commissioner's~~ **COMMISSIONER'S** 1941
14 ~~standard ordinary mortality table,~~ **STANDARD ORDINARY MORTALITY**
15 **TABLE**, for policies issued before the operative date of paragraph 5
16 of section 4060(5); and the ~~commissioner's~~ **COMMISSIONER'S** 1958
17 ~~standard ordinary mortality table~~ **STANDARD ORDINARY MORTALITY TABLE**
18 for policies issued on or after that operative date and before the
19 operative date of paragraphs 9 to 18 of section 4060(5). For any
20 category of those policies issued on female risks, all modified net
21 premiums and present values referred to in this section may be
22 calculated according to an age not more than 6 years younger than
23 the actual age of the insured; and, for those policies issued on or
24 after the operative date of paragraphs 9 to 18 of section 4060(5),
25 the ~~commissioner's~~ **COMMISSIONER'S** 1980 ~~standard ordinary mortality~~
26 ~~table~~ **STANDARD ORDINARY MORTALITY TABLE** or, at the election of the
27 company for any 1 or more specified plans of life insurance, the

1 ~~commissioner's~~ **COMMISSIONER'S** 1980 ~~standard ordinary mortality~~
2 ~~table~~ **STANDARD ORDINARY MORTALITY TABLE** with 10-year select
3 mortality factors or any ordinary mortality table adopted after
4 1980 by the ~~national association~~ **NATIONAL ASSOCIATION** of insurance
5 ~~commissioners~~ **INSURANCE COMMISSIONERS** that is approved by a rule
6 promulgated by the director for use in determining the minimum
7 standard of valuation for those policies or the 2001 CSO mortality
8 table under section 838.

9 (b) For all industrial life insurance policies issued on the
10 standard basis, excluding any disability and accidental death
11 benefits in those policies: the 1941 ~~standard industrial mortality~~
12 ~~table~~ **STANDARD INDUSTRIAL MORTALITY TABLE** for those policies issued
13 before the operative date of paragraph 7 of section 4060(5); and
14 for those policies issued on or after that operative date, the
15 ~~commissioner's~~ **COMMISSIONER'S** 1961 ~~standard industrial mortality~~
16 ~~table~~ **STANDARD INDUSTRIAL MORTALITY TABLE** or any industrial
17 mortality table adopted after 1980 by the ~~national association~~
18 **NATIONAL ASSOCIATION** of insurance ~~commissioners~~ **INSURANCE**
19 **COMMISSIONERS** that is approved by a rule promulgated by the
20 director for use in determining the minimum standard of valuation
21 for those policies.

22 (c) For individual annuity and pure endowment contracts,
23 excluding any disability and accidental death benefits in those
24 policies: the 1937 ~~standard annuity mortality table~~ **STANDARD**
25 **ANNUITY MORTALITY TABLE** or, at the option of the company, the
26 annuity mortality table for 1949, ultimate, or any modification of
27 either of those tables approved by the director.

1 (d) For group annuity and pure endowment contracts, excluding
2 any disability and accidental death benefits in those policies: the
3 ~~group annuity mortality table~~ **GROUP ANNUITY MORTALITY TABLE** for
4 1951, any modification of that table approved by the director, or,
5 at the option of the company, any of the tables or modifications of
6 tables specified for individual annuity and pure endowment
7 contracts.

8 (e) For total and permanent disability benefits in or
9 supplementary to ordinary policies or contracts: for policies or
10 contracts issued after December 31, 1965, the tables of period 2
11 disablement rates and the 1930 to 1950 termination rates of the
12 ~~1952 disability study~~ **DISABILITY STUDY** of the ~~society~~ **SOCIETY** of
13 ~~actuaries,~~ **ACTUARIES**, with due regard to the type of benefit or any
14 tables of disablement rates and termination rates adopted after
15 1980 by the ~~national association~~ **NATIONAL ASSOCIATION** of insurance
16 ~~commissioners~~ **INSURANCE COMMISSIONERS** that are approved by a rule
17 promulgated by the director for use in determining the minimum
18 standard of valuation for those policies; for policies or contracts
19 issued after December 31, 1960, and before January 1, 1966, either
20 those tables or, at the option of the company, the class (3)
21 disability table, 1926; and for policies issued before January 1,
22 1961, the class (3) disability table, 1926. For active lives, a
23 table must be combined with a mortality table permitted for
24 calculating the reserves for life insurance policies.

25 (f) For accidental death benefits in or supplementary to
26 policies: for policies issued after December 31, 1965, the 1959
27 ~~accidental death benefits table~~ **ACCIDENTAL DEATH BENEFITS TABLE** or

1 any accidental death benefits table adopted after 1980 by the
2 ~~national association~~ **NATIONAL ASSOCIATION** of insurance
3 ~~commissioners~~ **INSURANCE COMMISSIONERS** that is approved by a rule
4 promulgated by the director for use in determining the minimum
5 standard of valuation for those policies; for policies issued after
6 December 31, 1960, and before January 1, 1966, 1 of the above
7 tables or at the option of the insurer the intercompany double
8 indemnity mortality table. A table must be combined with a
9 mortality table permitted for calculating the reserves for life
10 insurance policies.

11 (g) For group life insurance, life insurance issued on the
12 substandard basis, and other special benefits: any table approved
13 by the director.

14 (2) Except as otherwise provided in subsections (3) and (6),
15 reserves according to the ~~commissioner's reserve valuation method,~~
16 **COMMISSIONER'S RESERVE VALUATION METHOD**, for the life insurance and
17 endowment benefits of policies providing for a uniform amount of
18 insurance and requiring the payment of uniform premiums, is the
19 excess, if any, of the present value, at the date of valuation, of
20 the future guaranteed benefits provided for by those policies over
21 the then present value of any future modified net premiums for the
22 policies. The modified net premiums for the policy is a uniform
23 percentage of the respective contract premiums for the future
24 guaranteed benefits so that the present value of all modified net
25 premiums equals, at the date of issue of the policy, the sum of the
26 then present value of these benefits provided for by the policy and
27 the excess of subdivision (a) over subdivision (b), as follows:

1 (a) A net level annual premium equal to the present value, at
2 the date of issue, of the future guaranteed benefits provided for
3 after the first policy year divided by the present value, at the
4 date of issue, of an annuity of 1 per annum payable on the first
5 and each subsequent anniversary of the policy on which a premium
6 falls due. However, the net level annual premium must not exceed
7 the net level annual premium on the 19-year premium whole life plan
8 for insurance of the same amount at an age 1 year higher than the
9 age at issue of the policy.

10 (b) A net 1-year term premium for the future guaranteed
11 benefits provided for in the first policy year.

12 However, for any life insurance policy issued after December
13 31, 1985 for which the contract premium in the first policy year
14 exceeds that of the second year and for which no comparable
15 additional benefit is provided in the first year for that excess
16 and that provides an endowment benefit or a cash surrender value or
17 a combination of endowment benefit and cash surrender value in an
18 amount greater than the excess premium, the reserve according to
19 ~~the commissioner's reserve valuation method~~ **COMMISSIONER'S RESERVE**
20 **VALUATION METHOD** as of any policy anniversary occurring on or
21 before the assumed ending date, defined as the first policy
22 anniversary on which the sum of any endowment benefit and any cash
23 surrender value then available is greater than the excess premium,
24 is, except as otherwise provided in subsection (6), the greater of
25 the reserve as of that policy anniversary calculated as described
26 in paragraph 1 of this subsection and the reserve as of that policy
27 anniversary calculated as described in that paragraph, but with the

1 value defined in subdivision (a) being reduced by 15% of the amount
2 of the excess first year premium; all present values of benefits
3 and premiums being determined without reference to premiums or
4 benefits provided for by the policy after the assumed ending date;
5 the policy being assumed to mature on that date as an endowment;
6 and the cash surrender value provided on that date being considered
7 as an endowment benefit. In making the above comparison, the
8 mortality and interest bases stated in subsection (1) and section
9 836 must be used.

10 Reserves according to the ~~commissioner's reserve valuation~~
11 ~~method~~ **COMMISSIONER'S RESERVE VALUATION METHOD** for life insurance
12 policies providing for a varying amount of insurance or requiring
13 the payment of varying premiums; group annuity and pure endowment
14 contracts purchased under a retirement plan or plan of deferred
15 compensation, established or maintained by an employer, including a
16 partnership or sole proprietorship, or by an employee organization,
17 or by both, other than a plan providing individual retirement
18 accounts or individual retirement annuities under section 408 of
19 the internal revenue code of 1986, 26 USC 408; disability and
20 accidental death benefits in all policies and contracts; and all
21 other benefits, except life insurance and endowment benefits in
22 life insurance policies and benefits provided by all other annuity
23 and pure endowment contracts, must be calculated by a method
24 consistent with the principles of this subsection.

25 (3) This subsection applies to all annuity and pure endowment
26 contracts other than group annuity and pure endowment contracts
27 purchased under a retirement plan or plan of deferred compensation,

1 established or maintained by an employer, including a partnership
2 or sole proprietorship, or by an employee organization, or by both,
3 other than a plan providing individual retirement accounts or
4 individual retirement annuities under section 408 of the internal
5 revenue code of 1986, 26 USC 408. Without action by the Michigan
6 Legislature to adopt ~~actuarial guideline~~ **ACTUARIAL GUIDELINE** 35,
7 reserves according to the ~~commissioner's annuity reserve method~~
8 **COMMISSIONER'S ANNUITY RESERVE METHOD** for benefits under annuity or
9 pure endowment contracts, excluding any disability and accidental
10 death benefits in those contracts, must be the greatest of the
11 respective excesses of the present values, at the date of
12 valuation, of the future guaranteed benefits, including guaranteed
13 nonforfeiture benefits, provided for by those contracts at the end
14 of each respective contract year, over the present value, at the
15 date of valuation, of any future valuation considerations derived
16 from future gross considerations, required by the terms of the
17 contract, that become payable before the end of that respective
18 contract year. The future guaranteed benefits must be determined by
19 using the mortality table, if any, and the interest rate specified
20 in those contracts for determining guaranteed benefits. The
21 valuation considerations are the portions of the respective gross
22 considerations applied under the terms of the contracts to
23 determine nonforfeiture values.

24 (4) An insurer's aggregate reserves for all life insurance
25 policies, excluding disability and accidental death benefits, ~~shall~~
26 **MUST** not be less than the aggregate reserves calculated in
27 accordance with the methods described in subsections (2), (3), (6),

1 and (7), and the mortality table or tables and rate or rates of
2 interest used in calculating nonforfeiture benefits for the
3 policies. The aggregate reserves for all policies, contracts, and
4 benefits ~~shall~~**MUST** not be less than the aggregate reserves
5 determined by the appointed actuary to be necessary to render the
6 opinion required by section 830a.

7 (5) Reserves for all policies and contracts issued before June
8 27, 1994 may be calculated, at the option of the insurer, according
9 to any standards that produce greater aggregate reserves for all
10 those policies and contracts than the minimum reserves required by
11 the laws in effect immediately before June 27, 1994. Reserves for a
12 category of policies, contracts, or benefits as established by the
13 director, issued after June 26, 1994, may be calculated at the
14 option of the insurer according to any standards that produce
15 greater aggregate reserves than those calculated according to the
16 minimum standard provided in this act. However, the rate or rates
17 of interest used for policies and contracts, other than annuity and
18 pure endowment contracts, must not be greater than the
19 corresponding rate or rates of interest used in calculating any
20 nonforfeiture benefits provided for in those policies and
21 contracts. An insurer that had previously adopted any standard of
22 valuation producing greater aggregate reserves than those
23 calculated according to the minimum standard provided in this
24 section and ~~section~~**SECTIONS 835 AND 835A** may, with the director's
25 approval, adopt any lower standard of valuation, but not lower than
26 the minimum standard provided by this section and ~~section~~**SECTIONS**
27 **835 AND 835A**. However, for the purposes of this section, the

1 holding of additional reserves previously determined by an
2 appointed actuary to be necessary to render the opinion required by
3 section 830a is not considered to be the adoption of a higher
4 standard of valuation.

5 (6) If in any contract year the gross premium charged by an
6 insurer on a policy or contract is less than the valuation net
7 premium for the policy or contract calculated by the method used in
8 calculating the reserve on the policy or contract, the insurer may
9 use the minimum valuation standards of mortality, either at the
10 time of issue or the time of valuation of the policy or contract
11 and the minimum valuation rate of interest at time of issue or the
12 time of valuation of the policy or contract, if the minimum reserve
13 required for the policy or contract is the greater of either the
14 reserve calculated according to the mortality table, rate of
15 interest, and method actually used for the policy or contract, or
16 the reserve calculated by the method actually used for the policy
17 or contract using the minimum valuation standards of mortality and
18 rate of interest and replacing the valuation net premium by the
19 actual gross premium in each contract year for which the valuation
20 net premium exceeds the actual gross premium. The minimum valuation
21 standards of mortality and rate of interest referred to in this
22 subsection are those standards stated in subsection (1) and section
23 836. However, for any life insurance policy issued after December
24 31, 1985 for which the gross premium in the first policy year
25 exceeds that of the second year and for which no comparable
26 additional benefit is provided in the first year for that excess
27 and that provides an endowment benefit or a cash surrender value or

1 a combination of endowment benefit and cash surrender value in an
2 amount greater than the excess premium, this subsection applies as
3 if the method actually used in calculating the reserve for that
4 policy were the method described in subsection (2), ignoring
5 paragraph 2 of that subsection. The minimum reserve at each policy
6 anniversary of that policy must be the greater of the minimum
7 reserve calculated in accordance with subsection (2), including
8 paragraph 2 of that subsection, and the minimum reserve calculated
9 in accordance with this subsection.

10 (7) For any plan of life insurance that provides for future
11 premium determination, the amounts of which are to be determined by
12 the insurance company based on then estimates of future experience,
13 or, for any plan of life insurance or annuity that the minimum
14 reserves cannot be determined by the methods described in
15 subsections (2), (3), and (6), the reserves that are held under
16 those plans must be appropriate in relation to the benefits and the
17 pattern of premiums for that plan and computed by a method that is
18 consistent with the principles of this standard valuation law, as
19 determined by rules promulgated by the director.

20 (8) This section applies to only life insurance policies and
21 contracts issued on and after the operative date of section 4060,
22 the standard nonforfeiture law, except as otherwise provided in
23 sections 835 and 836 for group annuity and pure endowment contracts
24 issued on or after the operative date of section 4060 and except as
25 otherwise provided in section 837 for universal life contracts.

26 (9) As used in this section:

27 (a) "Appointed actuary" means a qualified actuary who is

1 appointed in accordance with the valuation manual to prepare the
2 actuarial opinion required in section 830a(9).

3 (b) "NAIC" means the ~~national association~~ **NATIONAL ASSOCIATION**
4 of ~~insurance commissioners~~ **INSURANCE COMMISSIONERS**.

5 (c) "Qualified actuary" means an individual who is qualified
6 to sign the applicable statement of actuarial opinion in accordance
7 with the American ~~academy~~ **ACADEMY** of ~~actuaries~~ **ACTUARIES**
8 qualification standards for actuaries signing statements of
9 actuarial opinions and who meets the requirements specified in the
10 valuation manual.

11 (d) "Valuation manual" means the manual of valuation
12 instructions adopted by the NAIC as specified in section 836b.

13 Sec. 835. (1) Except as provided in ~~section~~ **SECTIONS 835A AND**
14 836, the minimum standard for the valuation of all individual
15 annuity and pure endowment contracts issued on or after the
16 operative date of this section, as ~~defined~~ **DESCRIBED** in subsection
17 (2), and for all annuities and pure endowments purchased on or
18 after that operative date under group annuity and pure endowment
19 contracts, ~~shall~~ **MUST** be the ~~commissioners reserve valuation method~~
20 ~~defined~~ **COMMISSIONERS RESERVE VALUATION METHOD DESCRIBED** in section
21 834(2) and (3), and the following tables and interest rates:

22 (a) For individual annuity and pure endowment contracts issued
23 before October 1, 1980, excluding any disability and accidental
24 death benefits in these contracts, the standard ~~shall~~ **MUST** be the
25 1971 ~~individual annuity mortality table~~, **INDIVIDUAL ANNUITY**
26 **MORTALITY TABLE**, or a modification of this table approved by the
27 ~~commissioner~~, **DIRECTOR**, and 6% interest for single premium

1 immediate annuity contracts, and 4% interest for all other
2 individual annuity and pure endowment contracts.

3 (b) ~~For~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, FOR**
4 individual single premium immediate annuity contracts issued ~~on or~~
5 after ~~October 1,~~ **SEPTEMBER 30, 1980**, excluding any disability and
6 accidental death benefits in these contracts, the standard shall
7 **MUST** be the 1971 ~~individual annuity mortality table~~ **INDIVIDUAL**
8 **ANNUITY MORTALITY TABLE** or any individual annuity mortality table
9 adopted after 1980 by the ~~national association of insurance~~
10 ~~commissioners~~ **NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS** that
11 is approved by a rule promulgated by the ~~commissioner~~ **DIRECTOR** for
12 use in determining the minimum standard of valuation for ~~such~~ **THE**
13 contracts, or a modification of these tables approved by the
14 ~~commissioner,~~ **DIRECTOR**, and 7-1/2% interest. **AT THE ELECTION OF THE**
15 **INSURER, THE FOLLOWING TABLES MAY BE USED AS THE STANDARD FOR**
16 **INDIVIDUAL SINGLE PREMIUM IMMEDIATE ANNUITY CONTRACTS, AS**
17 **APPLICABLE:**

18 (i) **FOR CONTRACTS ISSUED AFTER DECEMBER 31, 1985, THE 1983**
19 **TABLE A.**

20 (ii) **FOR CONTRACTS ISSUED AFTER DECEMBER 31, 1998, THE ANNUITY**
21 **2000 TABLE.**

22 (iii) **FOR CONTRACTS ISSUED AFTER DECEMBER 31, 2014, THE 2012**
23 **IAR TABLE.**

24 (c) ~~For~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, FOR**
25 individual annuity and pure endowment contracts issued ~~on or~~ after
26 ~~October 1,~~ **SEPTEMBER 30, 1980 AND BEFORE JANUARY 1, 2015**, other
27 than single premium immediate annuity contracts, excluding any

1 disability and accidental death benefits in the contracts, the
2 standard shall ~~MUST~~ be the 1971 ~~individual annuity mortality table~~
3 **INDIVIDUAL ANNUITY MORTALITY TABLE** or any individual annuity
4 mortality table adopted after 1980 by the ~~national association~~
5 **NATIONAL ASSOCIATION of insurance commissioners-INSURANCE**
6 **COMMISSIONERS** that is approved by a rule promulgated by the
7 ~~commissioner-DIRECTOR~~ for use in determining the minimum standard
8 of valuation for such contracts, or a modification of these tables
9 approved by the ~~commissioner, DIRECTOR~~, and 5-1/2% interest for
10 single premium deferred annuity and pure endowment contracts, and
11 4-1/2% interest for all other such individual annuity and pure
12 endowment contracts. **AT THE ELECTION OF THE INSURER, THE FOLLOWING**
13 **TABLES MAY BE USED AS THE STANDARD FOR INDIVIDUAL ANNUITY AND PURE**
14 **ENDOWMENT CONTRACTS, OTHER THAN SINGLE PREMIUM IMMEDIATE ANNUITIES,**
15 **AS APPLICABLE:**

16 (i) FOR CONTRACTS ISSUED AFTER DECEMBER 31, 1985, THE 1983
17 TABLE A.

18 (ii) FOR CONTRACTS ISSUED AFTER DECEMBER 31, 1998, THE ANNUITY
19 2000 TABLE.

20 (iii) FOR CONTRACTS ISSUED AFTER DECEMBER 31, 2014, THE 2012
21 IAR TABLE.

22 (d) For all annuities and pure endowments purchased before
23 October 1, 1980, under group annuity and pure endowment contracts,
24 excluding any disability and accidental death benefits purchased
25 under these contracts, the standard shall ~~MUST~~ be the 1971 ~~group~~
26 ~~annuity mortality table, GROUP ANNUITY MORTALITY TABLE~~, or a
27 modification of these tables approved by the ~~commissioner,~~

1 DIRECTOR, and 6% interest.

2 (e) ~~For~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBDIVISION, FOR**
3 all annuities and pure endowments purchased ~~on or after October 1,~~
4 **SEPTEMBER 30, 1980 AND BEFORE JANUARY 1, 2015,** under group annuity
5 and pure endowment contracts, excluding any disability and
6 accidental death benefits purchased under these contracts, the
7 standard shall ~~shall~~ **MUST** be the 1971 group annuity mortality table ~~GROUP~~
8 **ANNUITY MORTALITY TABLE** or any group annuity mortality table
9 adopted after 1980 by the ~~national association~~ **NATIONAL ASSOCIATION**
10 of ~~insurance commissioners~~ **INSURANCE COMMISSIONERS** that is approved
11 by a rule promulgated by the ~~commissioner~~ **DIRECTOR** for use in
12 determining the minimum standard of valuation for such annuities
13 and pure endowments, or a modification of these tables approved by
14 the ~~commissioner~~, **DIRECTOR**, and 7-1/2% interest. **AT THE ELECTION OF**
15 **THE INSURER, THE FOLLOWING TABLES MAY BE USED AS THE STANDARD FOR**
16 **ALL ANNUITIES AND PURE ENDOWMENTS UNDER GROUP ANNUITY AND PURE**
17 **ENDOWMENT CONTRACTS, AS APPLICABLE:**

18 (i) **FOR ANNUITIES AND PURE ENDOWMENTS PURCHASED AFTER DECEMBER**
19 **31, 1985, THE 1983 GAM TABLE.**

20 (ii) **FOR ANNUITIES AND PURE ENDOWMENTS PURCHASED AFTER**
21 **DECEMBER 31, 1998, THE 1994 GAR TABLE.**

22 (2) After October 21, 1974, a company may file with the
23 ~~commissioner~~ **DIRECTOR** a written notice of its election to invoke
24 this section after a specified date before January 1, 1981, which
25 shall ~~shall~~ **MUST** be the operative date of this section for ~~that~~ **THE**
26 company. A company may elect a different operative date of this
27 section for individual annuity and pure endowment contracts from

1 that elected for group annuity and pure endowment contracts. If a
2 company does not make an election, the operative date of this
3 section for ~~that~~**THE** company shall ~~shall~~**MUST** be January 1, 1981.

4 (3) AS USED IN THIS SECTION:

5 (A) "ANNUITY 2000 TABLE" MEANS THAT TERM AS DEFINED IN SECTION
6 835A.

7 (B) "1983 GAM TABLE" MEANS THAT TERM AS DEFINED IN SECTION
8 835A.

9 (C) "1983 TABLE A" MEANS THAT TERM AS DEFINED IN SECTION 835A.

10 (D) "1994 GAR TABLE" MEANS THAT TERM AS DEFINED IN SECTION
11 835A.

12 (E) "2012 IAR TABLE" MEANS THAT TERM AS DEFINED IN SECTION
13 835A.

14 SEC. 835A. (1) EXCEPT AS OTHERWISE PROVIDED IN SECTION 836,
15 THE MINIMUM STANDARD FOR THE VALUATION OF ALL INDIVIDUAL ANNUITY
16 AND PURE ENDOWMENT CONTRACTS ISSUED AFTER DECEMBER 31, 2014 AND FOR
17 ALL ANNUITIES AND PURE ENDOWMENTS PURCHASED AFTER DECEMBER 31, 2014
18 UNDER GROUP ANNUITY AND PURE ENDOWMENT CONTRACTS MUST BE THE
19 COMMISSIONER'S RESERVE VALUATION METHOD DESCRIBED IN SECTION 834(2)
20 AND (3), AND THE FOLLOWING TABLES AND INTEREST RATES:

21 (A) FOR INDIVIDUAL SINGLE PREMIUM IMMEDIATE ANNUITY CONTRACTS,
22 EXCLUDING ANY DISABILITY AND ACCIDENTAL DEATH BENEFITS IN THESE
23 CONTRACTS, THE STANDARD MUST BE THE 2012 IAR TABLE OR ANY
24 INDIVIDUAL ANNUITY MORTALITY TABLE ADOPTED AFTER 2015 BY THE
25 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS THAT IS APPROVED BY
26 A RULE PROMULGATED BY THE DIRECTOR FOR USE IN DETERMINING THE
27 MINIMUM STANDARD OF VALUATION FOR SUCH CONTRACTS, OR A MODIFICATION

1 OF THESE TABLES APPROVED BY THE DIRECTOR, AND AN INTEREST RATE AS
2 DETERMINED BY THE METHODOLOGY DESCRIBED IN SECTION 836.

3 (B) FOR INDIVIDUAL ANNUITY AND PURE ENDOWMENT CONTRACTS, OTHER
4 THAN SINGLE PREMIUM IMMEDIATE ANNUITY CONTRACTS, EXCLUDING ANY
5 DISABILITY AND ACCIDENTAL DEATH BENEFITS IN THE CONTRACTS, THE
6 STANDARD MUST BE THE 2012 INDIVIDUAL ANNUITY MORTALITY TABLE OR ANY
7 INDIVIDUAL ANNUITY MORTALITY TABLE ADOPTED AFTER 2017 BY THE
8 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS THAT IS APPROVED BY
9 A RULE PROMULGATED BY THE DIRECTOR FOR USE IN DETERMINING THE
10 MINIMUM STANDARD OF VALUATION FOR SUCH CONTRACTS, OR A MODIFICATION
11 OF THESE TABLES APPROVED BY THE DIRECTOR, AND AN INTEREST RATE AS
12 DETERMINED BY THE METHODOLOGY DESCRIBED IN SECTION 836 FOR SINGLE
13 PREMIUM DEFERRED ANNUITY AND PURE ENDOWMENT CONTRACTS, AND AN
14 INTEREST RATE AS DETERMINED BY THE METHODOLOGY DESCRIBED IN SECTION
15 836 FOR ALL OTHER SUCH INDIVIDUAL ANNUITY AND PURE ENDOWMENT
16 CONTRACTS.

17 (C) FOR ALL ANNUITIES AND PURE ENDOWMENTS PURCHASED UNDER
18 GROUP ANNUITY AND PURE ENDOWMENT CONTRACTS, EXCLUDING ANY
19 DISABILITY AND ACCIDENTAL DEATH BENEFITS PURCHASED UNDER THESE
20 CONTRACTS, THE STANDARD MUST BE THE 1994 GAR TABLE, OR ANY GROUP
21 ANNUITY MORTALITY TABLE ADOPTED AFTER 2017 BY THE NATIONAL
22 ASSOCIATION OF INSURANCE COMMISSIONERS THAT IS APPROVED BY A RULE
23 PROMULGATED BY THE DIRECTOR FOR USE IN DETERMINING THE MINIMUM
24 STANDARD OF VALUATION FOR SUCH ANNUITIES AND PURE ENDOWMENTS, OR A
25 MODIFICATION OF THESE TABLES APPROVED BY THE DIRECTOR, AND AN
26 INTEREST RATE AS DETERMINED BY THE METHODOLOGY DESCRIBED IN SECTION
27 836.

1 (2) AS USED IN THIS SECTION:

2 (A) "ANNUITY 2000 TABLE" MEANS THE MORTALITY TABLE DEVELOPED
3 BY THE SOCIETY OF ACTUARIES COMMITTEE ON LIFE INSURANCE RESEARCH
4 AND SHOWN ON PAGE 240 OF VOLUME XLVII OF THE TRANSACTIONS OF THE
5 SOCIETY OF ACTUARIES.

6 (B) "GENERATIONAL MORTALITY TABLE" MEANS A MORTALITY TABLE
7 CONTAINING A SET OF MORTALITY RATES THAT DECREASE FOR A GIVEN AGE
8 FROM 1 YEAR TO THE NEXT BASED ON A COMBINATION OF A PERIOD TABLE
9 AND A PROJECTION SCALE CONTAINING RATES OF MORTALITY IMPROVEMENT.

10 (C) "PERIOD TABLE" MEANS A TABLE OF MORTALITY RATES APPLICABLE
11 TO A GIVEN CALENDAR YEAR.

12 (D) "PROJECTION SCALE G2" MEANS THE TABLE OF ANNUAL RATES,
13 G2X, OF MORTALITY IMPROVEMENT BY AGE FOR PROJECTING FUTURE
14 MORTALITY RATES BEYOND CALENDAR YEAR 2012 DEVELOPED BY THE SOCIETY
15 OF ACTUARIES COMMITTEE ON LIFE INSURANCE RESEARCH.

16 (E) "1983 GAM TABLE" MEANS THAT MORTALITY TABLE DEVELOPED BY
17 THE SOCIETY OF ACTUARIES COMMITTEE ON ANNUITIES AND ADOPTED AS A
18 RECOGNIZED MORTALITY TABLE FOR ANNUITIES IN DECEMBER 1983 BY THE
19 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS.

20 (F) "1983 TABLE A" MEANS THE MORTALITY TABLE DEVELOPED BY THE
21 SOCIETY OF ACTUARIES COMMITTEE TO RECOMMEND A NEW MORTALITY BASIS
22 FOR INDIVIDUAL ANNUITY VALUATION AND ADOPTED AS A RECOGNIZED
23 MORTALITY TABLE FOR ANNUITIES IN JUNE 1982 BY THE NATIONAL
24 ASSOCIATION OF INSURANCE COMMISSIONERS.

25 (G) "1994 GAR TABLE" MEANS THE MORTALITY TABLE DEVELOPED BY
26 THE SOCIETY OF ACTUARIES GROUP ANNUITY VALUATION TABLE TASK FORCE
27 AND PUBLISHED ON PAGES 866-867 OF VOLUME XLVII OF THE TRANSACTIONS

1 OF THE SOCIETY OF ACTUARIES, WHERE THE MORTALITY RATE FOR AN
 2 INDIVIDUAL OF AGE X IN YEAR 1994+N, Q_x^{1994+N} , IS DETERMINED AS
 3 FOLLOWS:

$$4 \quad Q_x^{1994+N} = Q_x^{1994} (1-AA_x)^N$$

5 WHERE Q_x^{1994} IS AS SPECIFIED IN THE 1994 GAR TABLE, N IS THE NUMBER
 6 OF YEARS THAT HAVE ELAPSED SINCE 1994, AND AA_x IS AS SPECIFIED IN
 7 THE 1994 GAR TABLE.

8 (H) "2012 IAM PERIOD TABLE" MEANS THE PERIOD TABLE DEVELOPED
 9 BY THE SOCIETY OF ACTUARIES COMMITTEE ON LIFE INSURANCE RESEARCH
 10 THAT CONTAINS LOADED MORTALITY RATES FOR CALENDAR YEAR 2012.

11 (I) "2012 IAR TABLE" MEANS THE GENERATIONAL MORTALITY TABLE
 12 DEVELOPED BY THE SOCIETY OF ACTUARIES COMMITTEE ON LIFE INSURANCE
 13 RESEARCH THAT CONTAINS RATES DERIVED FROM A COMBINATION OF THE 2012
 14 IAM PERIOD TABLE AND PROJECTION SCALE G2, WHERE MORTALITY RATES FOR
 15 AN INDIVIDUAL OF AGE X IN YEAR 2012+N, Q_x^{2012+N} , ARE DETERMINED AS
 16 FOLLOWS, AND THE RESULTS ROUNDED TO THE NEAREST ONE-THOUSANDTH:

$$17 \quad Q_x^{2012+N} = Q_x^{2012} (1-G2_x)^N$$

18 WHERE Q_x^{2012} IS AS SPECIFIED IN THE 2012 IAM PERIOD TABLE, N IS THE
 19 NUMBER OF YEARS THAT HAVE ELAPSED SINCE 2012, AND $G2_x$ IS AS
 20 SPECIFIED IN PROJECTION SCALE G2.

21 Sec. 836b. (1) All of the following apply to the valuation
 22 manual:

23 (a) Except as otherwise provided under subdivision (e) or (g),

1 for policies issued on or after the operative date of the valuation
2 manual and, at a company's option for policies or individual blocks
3 of policies acquired by the company through a business acquisition
4 or reinsurance transaction after ~~the effective date of the~~
5 ~~amendatory act that added this section,~~ **MARCH 31, 2015**, regardless
6 of when the policies were issued, the standard prescribed in the
7 valuation manual is the minimum standard of valuation required
8 under section 830(2).

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

12 (i) The NAIC has adopted the valuation manual by a vote of at
13 least 42 members, or 3/4 of the members voting, whichever is
14 greater.

15 (ii) The standard valuation law, as amended by the NAIC in
16 2009, or legislation including substantially similar terms and
17 provisions, has been enacted by states representing greater than
18 75% of the direct premiums written as reported in the following
19 annual statements submitted for 2008: life, accident, and health
20 annual statements; health annual statements; or fraternal annual
21 statements.

22 (iii) The standard valuation law, as amended by the NAIC in
23 2009, or legislation including substantially similar terms and
24 provisions, has been enacted by at least 42 of the following 55
25 jurisdictions: the 50 states of the United States, American Samoa,
26 the American Virgin Islands, the District of Columbia, Guam, and
27 Puerto Rico.

1 (c) Unless a change in the valuation manual specifies a later
2 effective date, a change to the valuation manual is effective on
3 January 1 after the date the NAIC adopts the change to the
4 valuation manual by a vote representing both of the following:

5 (i) At least 3/4 of the members of the NAIC, but not less than
6 a majority of the total membership.

7 (ii) Members of the NAIC representing jurisdictions that
8 amount to greater than 75% of the direct premiums written as
9 reported in the following annual statements most recently available
10 before the vote in subparagraph (i): life, accident, and health
11 annual statements; health annual statements; or fraternal annual
12 statements.

13 (d) The valuation manual must specify all of the following:

14 (i) Minimum valuation standards for and definitions of the
15 policies or contracts subject to section 830(2). The minimum
16 valuation standards are all of the following:

17 (A) The director's reserve valuation method for life insurance
18 contracts, other than annuity contracts, subject to section 830(2).

19 (B) The director's annuity reserve valuation method for
20 annuity contracts subject to section 830(2).

21 (C) Minimum reserves for all other policies or contracts
22 subject to section 830(2).

23 (ii) The policies or contracts or types of policies or
24 contracts that are subject to the requirements of a principle-based
25 valuation ~~in~~ **UNDER** subsection (2) and the minimum valuation
26 standards consistent with those requirements.

27 (iii) For policies and contracts subject to a principle-based

1 valuation under subsection (2), all of the following apply:

2 (A) Requirements for the format of reports to the director
3 under subsection (3)(c) and that must include information necessary
4 to determine if the valuation is appropriate and in compliance with
5 this section.

6 (B) Assumptions must be prescribed for risks over which the
7 company does not have significant control or influence.

8 (C) Procedures for corporate governance and oversight of the
9 actuarial function, and a process for appropriate waiver or
10 modification of the procedures.

11 (iv) For policies that are not subject to a principle-based
12 valuation under subsections (2), (3), and (4), the minimum
13 valuation standard is 1 of the following:

14 (A) The standard is consistent with the minimum standard of
15 valuation before the operative date of the valuation manual.

16 (B) The standard develops reserves that quantify the benefits
17 and guarantees, and the funding, associated with the contracts and
18 their risks at a level of conservatism that reflects conditions
19 that include unfavorable events that have a reasonable probability
20 of occurring.

21 (v) Other requirements, including, but not limited to, those
22 relating to reserve methods, models for measuring risk, generation
23 of economic scenarios, assumptions, margins, use of company
24 experience, risk measurement, disclosure, certifications, reports,
25 actuarial opinions and memorandums, transition rules, and internal
26 controls.

27 (vi) The data and form of the data required under subsection

1 (5), to whom the data must be submitted, and may specify other
2 requirements including data analyses and reporting of analyses.

3 (e) If there is not a specific valuation requirement or if the
4 director determines that a specific valuation requirement in the
5 valuation manual does not comply with this section, the company
6 shall, with respect to the requirement, comply with minimum
7 valuation standards prescribed by the director by rule.

8 (f) The director may engage a qualified actuary, at the
9 expense of the company, to perform an actuarial examination of the
10 company and opine on the appropriateness of any reserve assumption
11 or method used by the company, or to review and opine on a
12 company's compliance with any requirement of this section. The
13 director may rely ~~upon~~ **ON** the opinion, regarding this section, of a
14 qualified actuary engaged by the commissioner of another state,
15 district, or territory of the United States. As used in this
16 subdivision, "engage" includes employment and contracting.

17 (g) The director may require a company to change any
18 assumption or method that the director considers necessary to
19 comply with the requirements of the valuation manual or this
20 section, and the company shall adjust the reserves as required by
21 the director.

22 (2) A company shall establish reserves using a principle-based
23 valuation that meets all of the following conditions for policies
24 or contracts as specified in the valuation manual:

25 (a) Quantify the benefits and guarantees, and the funding,
26 associated with the contracts and their risks at a level of
27 conservatism that reflects conditions that include unfavorable

1 events that have a reasonable probability of occurring during the
2 lifetime of the contracts. For policies or contracts with
3 significant tail risk, reflects conditions appropriately adverse to
4 quantify the tail risk.

5 (b) Incorporate assumptions, risk analysis methods, financial
6 models, and management techniques that are consistent with, but not
7 necessarily identical to, those used within the company's overall
8 risk assessment process, while recognizing potential differences in
9 financial reporting structures and any prescribed assumptions or
10 methods.

11 (c) Incorporate assumptions that are derived in 1 of the
12 following manners:

13 (i) The assumption is prescribed in the valuation manual.

14 (ii) For assumptions that are not prescribed in the valuation
15 manual, the assumptions must do the following, as applicable:

16 (A) Use the company's available experience, to the extent it
17 is relevant and statistically credible.

18 (B) To the extent that company data are not available,
19 relevant, or statistically credible, use other relevant and
20 statistically credible experience.

21 (d) Provide margins for uncertainty, including adverse
22 deviation and estimation error, such that the greater the
23 uncertainty, the larger the margin and resulting reserve.

24 (3) A company that uses principle-based valuation for 1 or
25 more policies or contracts subject to this section as specified in
26 the valuation manual shall do all of the following:

27 (a) Establish procedures for corporate governance and

1 oversight of the actuarial valuation function consistent with those
2 described in the valuation manual.

3 (b) Provide to the director and the board of directors an
4 annual certification of the effectiveness of the internal controls
5 with respect to the principle-based valuation. The internal
6 controls must be designed to assure that all material risks
7 inherent in the liabilities and associated assets subject to the
8 valuation are included in the valuation, and that valuations are
9 made in accordance with the valuation manual. The certification
10 must be based on the controls in place at the end of the preceding
11 calendar year.

12 (c) Develop, and file with the director on request, a
13 principle-based valuation report that complies with standards
14 prescribed in the valuation manual.

15 (4) A principle-based valuation may include a prescribed
16 formulaic reserve component.

17 (5) A company shall submit mortality, morbidity, policyholder
18 behavior, or expense experience and other data as prescribed in the
19 valuation manual.

20 (6) Except as otherwise provided in this section, confidential
21 information is confidential and privileged, is not subject to
22 disclosure under the freedom of information act, 1976 PA 442, MCL
23 15.231 to 15.246, is not subject to subpoena, and is not subject to
24 discovery or admissible in evidence in a private civil action.
25 However, the director may use the confidential information in the
26 furtherance of any regulatory or legal action brought as a part of
27 the director's official duties.

1 (7) The director or any person who received confidential
2 information while acting under the authority of the director shall
3 not testify in a private civil action concerning confidential
4 information.

5 (8) The director may do all of the following:

6 (a) Except as otherwise provided in this subdivision, share
7 confidential information with other state, federal, and
8 international regulatory agencies and with the NAIC and its
9 affiliates and subsidiaries. The director may also share
10 confidential information described in subsection (18)(c)(i) and
11 (iv) only with the actuarial board for counseling and discipline or
12 its successor on request for the purpose of professional
13 disciplinary proceedings and with state, federal, and international
14 law enforcement officials. The director shall not share
15 confidential information unless the recipient agrees in writing to
16 maintain the confidentiality and privileged status of the
17 confidential information and has verified in writing the legal
18 authority to maintain confidentiality.

19 (b) Subject to this subdivision, receive documents, materials,
20 data, or information from regulatory or law enforcement officials
21 of other foreign or domestic jurisdictions, the actuarial board for
22 counseling and discipline or its successor, and the NAIC and its
23 affiliates and subsidiaries. The director shall maintain as
24 confidential or privileged any documents, materials, or information
25 received with notice or the understanding that it is confidential
26 or privileged under the laws of the jurisdiction that is the source
27 of the document, material, or information.

1 (9) The director may enter into written agreements governing
2 sharing and use of information provided under this section.

3 (10) The disclosure or sharing of confidential information to
4 the director under this section is not a waiver of an applicable
5 privilege or claim of confidentiality.

6 (11) A privilege established under the law of any state or
7 jurisdiction that is substantially similar to the privilege
8 established under this section applies in any proceeding in, and in
9 any court of, this state.

10 (12) As used in subsections (6) to (10), "regulatory agency",
11 "law enforcement agency", and "NAIC" include, but are not limited
12 to, their employees, agents, consultants, and contractors.

13 (13) Notwithstanding anything in this section to the contrary,
14 any confidential information described in subsection (18)(c)(i) and
15 (iv) is subject to all of the following:

16 (a) The confidential information is subject to subpoena for
17 the purpose of defending an action seeking damages from the
18 appointed actuary submitting the related memorandum in support of
19 an opinion submitted under section 830a or principle-based
20 valuation report developed under subsection (3)(c) by reason of an
21 action required by section 830a or subsection (3)(c) or by rules
22 promulgated under this section.

23 (b) The director may release the confidential information with
24 the written consent of the company.

25 (c) If any portion of a memorandum in support of an opinion
26 submitted under section 830a or a principle-based valuation report
27 developed under subsection (3)(c) is cited by the company in its

1 marketing, is cited before a governmental agency other than a state
2 insurance department, or is released by the company to the news
3 media, the memorandum or report is not confidential.

4 (14) Except as provided in subsection (15), a domestic company
5 is exempt from the requirements under subsections (1) to (5) if the
6 domestic company meets both of the following requirements:

7 (a) The domestic company has less than \$500,000,000.00 of
8 ordinary life premiums and, if the domestic company is a member of
9 a group of life insurers, the group has combined ordinary life
10 premiums of less than \$1,000,000,000.00.

11 (b) The domestic company reported total adjusted capital of at
12 least 450% of the authorized control level risk-based capital in
13 the most recent risk-based capital report and the appointed actuary
14 has provided an unqualified opinion on the reserves.

15 (15) A domestic company that meets the requirements under
16 subsection (14)(a) and (b) may elect to be bound by the
17 requirements of subsections (1) to (5) for a calendar year. The
18 election must be in writing and filed with the director by February
19 1 of the year following the calendar year in which the company
20 makes the election.

21 (16) For purposes of subsection (14), ordinary life premiums
22 are measured as direct plus reinsurance assumed from an
23 unaffiliated company from the prior calendar year annual statement.

24 (17) Except for a domestic company that makes an election
25 under subsection (15), for a domestic company that is exempt from
26 the requirements of subsections (1) to (5) under subsection (14),
27 sections 830a, 832, 834, 835, **835A**, 836, and 836a are applicable,

1 and a reference to this section in sections 830a, 834, and 836a is
2 not applicable.

3 (18) As used in this section:

4 (a) "Accident and health insurance" means contracts that
5 incorporate morbidity risk and provide protection against economic
6 loss resulting from accident, sickness, or medical conditions and
7 as may be specified in the valuation manual.

8 (b) "Company" means an entity that has written, issued, or
9 reinsured life insurance contracts, accident and health insurance
10 contracts, or deposit-type contracts in this state and has at least
11 1 policy in force or on claim or that has written, issued, or
12 reinsured life insurance contracts, accident and health insurance
13 contracts, or deposit-type contracts in any state and is required
14 to hold a certificate of authority to write life insurance,
15 accident and health insurance, or deposit-type contracts in this
16 state.

17 (c) "Confidential information" means all of the following:

18 (i) A memorandum in support of an opinion submitted under
19 section 830a and any other documents, materials, and other
20 information, including, but not limited to, all working papers, and
21 copies of working papers, created, produced, or obtained by or
22 disclosed to the director or any other person in connection with
23 the memorandum.

24 (ii) All documents, materials, and other information,
25 including, but not limited to, all working papers, and copies of
26 working papers, created, produced, or obtained by or disclosed to
27 the director or any other person in the course of an examination

1 made under subsection (1)(f) if an examination report or other
2 material prepared in connection with an examination made under
3 section 222 is not held as private and confidential information
4 under section 222, an examination report or other material prepared
5 in connection with an examination made under subsection (1)(f) is
6 not "confidential information" to the same extent as if the
7 examination report or other material had been prepared under
8 section 222.

9 (iii) Any reports, documents, materials, and other information
10 developed by a company in support of, or in connection with, an
11 annual certification by the company under subsection (3)(b)
12 evaluating the effectiveness of the company's internal controls
13 with respect to a principle-based valuation and any other
14 documents, materials, and other information, including, but not
15 limited to, all working papers, and copies of working papers,
16 created, produced, or obtained by or disclosed to the director or
17 any other person in connection with such reports, documents,
18 materials, and other information.

19 (iv) Any principle-based valuation report developed under
20 subsection (3)(c) and any other documents, materials, and other
21 information, including, but not limited to, all working papers, and
22 copies of working papers, created, produced, or obtained by or
23 disclosed to the director or any other person in connection with
24 the report.

25 (v) Any documents, materials, data, and other information
26 submitted by a company under subsection (5), collectively,
27 experience data, and any other documents, materials, data, and

1 other information, including, but not limited to, all working
2 papers, and copies of working papers, created or produced in
3 connection with the experience data, in each case that include any
4 potentially company-identifying or personally identifiable
5 information, that is provided to or obtained by the director,
6 together with any experience data, the experience materials and any
7 other documents, materials, data, and other information, including,
8 but not limited to, all working papers, and copies of working
9 papers, created, produced, or obtained by or disclosed to the
10 director or any other person in connection with the experience
11 materials.

12 (d) "Deposit-type contract" means contracts that do not
13 incorporate mortality or morbidity risks and as may be specified in
14 the valuation manual.

15 (e) "Life insurance" means contracts that incorporate
16 mortality risk, including annuity and pure endowment contracts, and
17 as may be specified in the valuation manual.

18 (f) "NAIC" means the ~~national association of insurance~~
19 ~~commissioners.~~ **NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS.**

20 (g) "Policyholder behavior" means any action a policyholder,
21 contract holder, or any other person with the right to elect
22 options, such as a certificate holder, may take under a policy or
23 contract subject to this section, including, but not limited to,
24 lapse, withdrawal, transfer, deposit, premium payment, loan,
25 annuitization, or benefit elections prescribed by the policy or
26 contract but excluding events of mortality or morbidity that result
27 in benefits prescribed in their essential aspects by the terms of

1 the policy or contract.

2 (h) "Principle-based valuation" means a reserve valuation that
3 uses 1 or more methods or 1 or more assumptions determined by the
4 insurer and is required to comply with this section as specified in
5 the valuation manual.

6 (i) "Qualified actuary" means an individual who is qualified
7 to sign the applicable statement of actuarial opinion in accordance
8 with the American ~~academy of actuaries~~ **ACADEMY OF ACTUARIES**
9 qualification standards for actuaries signing such statements and
10 who meets the requirements specified in the valuation manual.

11 (j) "Tail risk" means a risk that occurs either where the
12 frequency of low probability events is higher than expected under a
13 normal probability distribution or where there are observed events
14 of very significant size or magnitude.

15 (k) "Valuation manual" means the manual of valuation
16 instructions adopted by the NAIC as specified in this section.

17 Enacting section 1. This amendatory act takes effect 90 days
18 after the date it is enacted into law.