Reprinted
April 2, 2013

ENGROSSED
HOUSE BILL No. 1321

DIGEST OF HB 1321 (Updated April 1, 2013 3:33 pm - DI 97)

Citations Affected: IC 27-1; IC 27-8; IC 35-43.

Synopsis: Insurance matters. Amends various provisions of the insurance law concerning: (1) confidentiality related to examinations; (2) reserve valuation of life, annuity, and endowment contracts; (3) motor vehicle insurance with respect to a newly acquired motor vehicle; (4) sales of travel insurance by travel retailers under a limited lines travel insurance producer license; (5) continuing education for certain insurance producers; (6) remedies for violations related to the sale, solicitation, or negotiation of portable electronics insurance; (7) risk based capital requirement application to fraternal benefit societies; (8) confidentiality, privilege, disclosure, and discoverability of certain risk based capital related information filed with the commissioner; and (9) residency and coverage requirements applying to the Indiana life and health guaranty association. Repeals current law concerning reserve valuation of life, annuity, and endowment contracts. Makes conforming amendments.

Effective: July 1, 2013.

Lehman, DeLaney

(SENATE SPONSORS — PAUL, MRVAN)

January 17, 2013, read first time and referred to Committee on Insurance.
February 11, 2013, amended, reported — Do Pass.
February 18, 2013, read second time, amended, ordered engrossed.
February 19, 2013, engrossed. Read third time, passed. Yeas 95, nays 0.

SENATE ACTION

February 25, 2013, read first time and referred to Committee on Insurance.
March 21, 2013, reported favorably — Do Pass.
April 1, 2013, read second time, amended, ordered engrossed.

Reprinted
April 2, 2013

First Regular Session 118th General Assembly (2013)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2012 Regular Session of the General Assembly.

ENGROSSED
HOUSE BILL No. 1321

A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

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

SECTION 1. IC 27-1-3.1-15, AS AMENDED BY P.L.11-2011, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 15. **(a)** All working papers, recorded information, documents, and copies thereof produced by, obtained by, or disclosed to the commissioner or any other person in the course of an examination under this chapter (including trade secrets and information obtained from a federal agency, a foreign country, or the National Association of Insurance Commissioners, or under another state law):

(1) are confidential ~~for the purposes of IC 5-14-3-4,~~ **and privileged;**

(2) are not subject to public inspection or copying under IC 5-14-3-3;

(3) are not subject to subpoena;

(4) are not subject to discovery or admissible in evidence in a private civil action; and

(5) may not be made public by the commissioner or any other person, except to the extent provided in section 14 of this chapter.

~~However,~~

(b) The commissioner may use the materials and information described in subsection (a) in relation to a regulatory or legal action brought as part of the commissioner's duties. Access **to the materials and information described in subsection (a)** may also be granted to the National Association of Insurance Commissioners. ~~Those parties~~ **A party receiving materials or information under this subsection** must agree in writing prior to receiving the **materials or** information to provide to it the same confidential treatment as required by this section, unless the prior written consent of the company to which it pertains has been obtained.

(c) A court order requiring a release or production of materials or information described in subsection (a) that is not authorized under this section is null and void unless the commissioner has been served, in accordance with the Indiana Rules of Trial Procedure, with a pleading or motion requesting the court to order release or production of the materials or information.

SECTION 2. IC 27-1-12-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 1. In addition to the general rights, privileges, and powers conferred by IC 27-1-5 through IC 27-1-13 and IC 27-11, and subject to the limitations and restrictions contained in this article and in the articles of incorporation, every life insurance company shall possess and may exercise the rights, privileges, and powers enumerated in this chapter **and IC 27-1-12.8.**

SECTION 3. IC 27-1-12-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 7. (a) No policy of life insurance, except as stated in subsection (f) of this section, bearing a date of issue which is the same as or later than a transition date to be selected by the company pursuant to section 12 of this chapter, such transition date in no event to be later than January 1, 1948, shall be delivered or issued for delivery in this state, or issued by a company organized under the laws of this state, unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the department are at least as favorable to defaulting or surrendering policyholders as are the minimum requirements specified in this section and are essentially in compliance with subsection (g) of this section:

(1) That, in the event of default in any premium payment after premiums have been paid for at least one (1) full year in the case of ordinary insurance or three (3) full years in the case of industrial insurance, the company will grant, upon proper request made not later than sixty (60) days after the due date of the premium in default, a

paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date, of an amount determined as specified in this section. In lieu of such stipulated paid-up nonforfeiture benefit, the company may substitute, upon proper request not later than sixty (60) days after the due date of the premium in default, an actuarially equivalent alternative paid-up nonforfeiture benefit which provides a greater amount or longer period of death benefits or, if applicable, a greater amount or earlier payment of endowment benefits;

(2) That, upon surrender of the policy within sixty (60) days after the due date of any premium in default, after premiums have been paid for at least three (3) full years in the case of ordinary insurance or five (5) full years in the case of industrial insurance, the company will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of a stated amount determined as specified in this section;

(3) That, if a request for a nonforfeiture benefit or surrender of the policy is not made or effected as contemplated in subdivisions (1) and (2) of this subsection, a designated paid-up nonforfeiture benefit shall become operative as specified in the policy;

(4) That, if the policy shall have become paid up by completion of all premium payments or if it continues in the form of a paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of ordinary insurance or the fifth policy anniversary in the case of industrial insurance, the company will pay, upon surrender of the policy within thirty (30) days after any policy anniversary, a cash surrender value of such amount as may be determined in this section;

(5) In the case of policies which cause, on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, a statement of the mortality table, interest rate, and method used in calculating cash surrender values and the paid-up nonforfeiture benefits available under the policy. In the case of all other policies, a statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary either during the first twenty (20) policy years or during the term of the policy, whichever is shorter, such values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions to the credit of the policy and that there is no indebtedness to the company on account of or secured by the policy;

(6) A brief and general statement of the method to be used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy on the policy anniversaries beyond the last anniversary of those for which such values and benefits are consecutively shown in the table provided for in subdivision (5) of this subsection;

(7) An explanation of the manner in which the cash surrender value and the paid-up nonforfeiture benefit or benefits are affected by the existence of any paid-up additions to the policy or any indebtedness to the company on account of or secured by the policy.

Any of the provisions of this subsection not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy.

The company shall reserve the right to defer the payment of any cash surrender value for a period of six (6) months after demand therefor and surrender of the policy.

(b) Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary shall be an amount not less than the excess, if any, of the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy (including any existing paid-up additions) if there had been no default, over the sum of (1) the then present value of the adjusted premiums as defined in subsections (d) and (dd), corresponding to premiums which would have fallen due on and after such anniversary, and (2) the amount of any indebtedness to the company on account of or secured by the policy. However, for any policy issued on or after the operative date of subsection (dd) of this section which provides supplemental life insurance or annuity benefits at the option of the insured and for an identifiable additional premium by rider or supplemental policy provision, the cash surrender value is an amount not less than the sum of the cash surrender value as defined in this paragraph for an otherwise similar policy issued at the same age without such rider or supplemental policy provision and the cash surrender value as defined in this paragraph for a policy which provides only the benefits otherwise provided by such rider or supplemental policy provision.

For any family policy issued on or after the operative date of subsection (dd) of this section, which defines a primary insured and provides term insurance on the life of the spouse of the primary insured expiring before the spouse's age seventy-one (71), the cash surrender value referred to in the first paragraph of this subsection shall be an amount not less than the sum of the cash surrender value, as defined in that paragraph, for an otherwise similar policy issued at the same age without such term insurance on the life of the spouse and the cash surrender value, as defined in that paragraph, for a policy which provides only the benefits otherwise provided by such term insurance on the life of the spouse. Any cash surrender value available within thirty (30) days after any policy anniversary under any policy paid up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit, shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by such paid-up policy (including any existing paid-up additions) decreased by any indebtedness to the company on account of or secured by the policy.

(c) Any paid-up nonforfeiture benefit available under a policy in the event of default in a premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be not less than the cash surrender value then provided for by such policy or, if none is provided for, the minimum amount determinable in accordance with subsection (b) in the absence of the condition of subsection (a)(2) that premiums be paid for at least a specified period.

(d) This subsection does not apply to policies issued on or after the operative date of subsection (dd) of this section. Except as provided in the third paragraph of this subsection, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding any extra premiums charged because of impairments or special hazards, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of (i) the then present value of the future guaranteed benefits provided for by the policy; (ii) two per cent (2%) of the amount of insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy; (iii) forty per cent (40%) of the adjusted premium for the first policy year; (iv) twenty-five per cent (25%) of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less; provided that for the sole purpose of computing the amounts of (iii) and (iv) above, no adjusted premiums in excess of four per cent (4%) of the amount of insurance or uniform amount equivalent thereto shall be used.

In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of this subsection shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at date of issue as the benefits under the policy; provided that in the case of a policy for a varying amount of insurance issued on the life of a child under age ten (10), the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten (10) were the amount provided by such policy at age ten (10) or at expiry, if earlier.

The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (a) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable, by (b) the adjusted premiums for such term insurance, the foregoing items (a) and (b) being calculated separately and as specified in the first two (2) paragraphs of this subsection except that, for the purposes of (ii), (iii) and (iv) of the first such paragraph, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (b) shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (a).

Except as otherwise provided in the succeeding paragraphs of this subsection, all adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1941 Standard Ordinary Mortality Table, provided, that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than six (6) years younger than the actual age of the insured, and such calculations for all policies of industrial insurance shall be made on the basis of the 1941 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest, not exceeding three and one-half percent (3 1/2%) per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; provided that in calculating the present value of any nonforfeiture benefits consisting of paid-up term insurance with or without pure endowment of a lesser amount, the rates of mortality assumed may be not more than one hundred and thirty per cent (130%) of the rates of the mortality according to such applicable table; and provided that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table or tables of mortality as may be specified by the company and approved by the department.

In the case of ordinary policies bearing a date of issue which is the same as or later than the operative date of this paragraph as defined in the succeeding paragraph, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table and the rate of interest, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; provided, that such rate of interest shall not exceed three and one-half percent (3 1/2%) per annum, except that such rate of interest shall not exceed four percent (4%) per annum for policies bearing a date of issue of or later than September 1, 1973 and prior to September 1, 1979, and the interest rate may not exceed five and one-half percent (5 1/2%) per annum for policies bearing a date of issue after August 31, 1979; provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than six (6) years younger than the actual age of the insured; provided that in calculating the present value of any nonforfeiture benefits consisting of paid-up term insurance with or without pure endowment of a lesser amount, the rates of mortality assumed may be not more than those shown in the Commissioners 1958 Extended Term Insurance Table; and provided that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table or tables of mortality as may be specified by the company and approved by the department.

Any company may file with the department a written notice of its election to invoke the provisions of the preceding paragraph after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date (which shall be the operative date of the preceding paragraph for such company), the preceding paragraph shall become operative with respect to the ordinary policies issued by such company and bearing a date of issue which is the same as or later than such specified date. If a company makes no such election, the operative date of the preceding paragraph for such company shall be January 1, 1966.

In the case of policies of industrial insurance bearing a date of issue which is the same as or later than the operative date of this paragraph as defined in the succeeding paragraph, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table and the rate of interest, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; provided that such rate of interest shall not exceed three and one-half percent (3 1/2%) per annum, except that such rate of interest shall not exceed four percent (4%) per annum for policies bearing a date of issue of or later than September 1, 1973 and before September 1, 1979, and the rate of interest may not exceed five and one-half percent (5 1/2%) per annum for policies bearing a date of issue after August 31, 1979; provided, further, that in calculating the present value of any nonforfeiture benefits consisting of paid-up term insurance with or without pure endowment of a lesser amount, the rates of mortality assumed may be not more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table; and provided that for insurance issued on a substandard basis, the calculations of any such adjusted premiums and present values may be based on such other table or tables of mortality as may be specified by the company and approved by the department.

Any company may file with the department a written notice of its election to invoke the provisions of the preceding paragraph after a specified date before January 1, 1968. After the filing of such notice, then upon such specified date (which shall be the operative date of the preceding paragraph for such company), the preceding paragraph shall become operative with respect to the policies of industrial insurance issued by such company and bearing a date of issue which is the same as or later than such specified date. If a company makes no such election, the operative date of the preceding paragraph for such company shall be January 1, 1968.

(dd)(1) This subsection applies to all policies issued on or after the operative date of this subsection. Except as provided in subdivision (7) of this subsection, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments or special hazards and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of (i) the then present value of the future guaranteed benefits provided for by the policy; (ii) one percent (1%) of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten (10) policy years; and (iii) one hundred twenty-five percent (125%) of the nonforfeiture net level premium as defined in this subsection. Provided that in applying the percentage specified in (iii) no nonforfeiture net level premium may be considered to exceed four percent (4%) of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten (10) policy years. The date of issue of a policy for the purpose of this subsection shall be the date as of which the rated age of the insured is determined.

(2) The nonforfeiture net level premium shall be equal to the present value, at the date of issue of the policy, of the guaranteed benefits provided for by the policy divided by the present value, at the date of issue of the policy, of an annuity of one (1) per annum payable on the date of issue of the policy and on each anniversary of such policy on which a premium falls due.

(3) In the case of policies which cause on a basis guaranteed in the policy unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, the adjusted premiums and present values shall initially be calculated on the assumption that future benefits and premiums do not change from those stipulated at the date of issue of the policy. At the time of any such change in the benefits or premiums, the future adjusted premiums, nonforfeiture net level premiums, and present values shall be recalculated on the assumption that future benefits and premiums do not change from those stipulated by the policy immediately after the change.

(4) Except as otherwise provided in subdivision (7) of this subsection, the recalculated future adjusted premiums for any such policy shall be such uniform percentage of the respective future premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments and special hazards, and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the time of change to the newly defined benefits or premiums, of all such future adjusted premiums shall be equal to the excess of: (A) the sum of (i) the then present value of the then future guaranteed benefits provided for by the policy and (ii) the additional expense allowance, if any, over (B) the then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy.

(5) The additional expense allowance, at the time of the change to the newly defined benefits or premiums, shall be the sum of (i) one percent (1%) of the excess, if positive, of the average amount of insurance at the beginning of each of the first ten (10) policy years subsequent to the change over the average amount of insurance prior to the change at the beginning of each of the first ten (10) policy years subsequent to the time of the most recent previous change, or, if there has been no previous change, the date of issue of the policy; and (ii) one hundred twenty-five percent (125%) of the increase, if positive, in the nonforfeiture net level premium.

(6) The recalculated nonforfeiture net level premium shall be equal to the result obtained by dividing (A) by (B) where:

(A) equals the sum of:

(i) the nonforfeiture net level premium applicable prior to the change times the present value of an annuity of one (1) per annum payable on each anniversary of the policy on or subsequent to the date of the change on which a premium would have fallen due had the change not occurred; and

(ii) the present value of the increase in future guaranteed benefits provided for by the policy; and

(B) equals the present value of an annuity of one (1) per annum payable on each anniversary of the policy on or subsequent to the date of change on which a premium falls due.

(7) Notwithstanding any other provisions of this subsection to the contrary, in the case of a policy issued on a substandard basis which provides reduced graded amounts of insurance so that, in each policy year, that policy has the same tabular mortality cost as an otherwise similar policy issued on the standard basis which provides higher uniform amounts of insurance, adjusted premiums and present values for such substandard policy may be calculated as if it were issued to provide such higher uniform amounts of insurance on the standard basis.

(8) All adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of (i) the Commissioners 1980 Standard Ordinary Mortality Table or (ii) at the election of the company for any one (1) or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors; shall for all policies of industrial insurance be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table; and shall for all policies issued in a particular calendar year be calculated on the basis of a rate of interest not exceeding the nonforfeiture interest rate

as defined in this subsection, for policies issued in that calendar year. However:

(A) At the option of the company, calculations for all policies issued in a particular calendar year may be made on the basis of a rate of interest not exceeding the nonforfeiture interest rate, as defined in this subsection, for policies issued in the immediately preceding calendar year.

(B) Under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by subsection (a) of this section, shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of such paid-up nonforfeiture benefit and paid-up dividend additions, if any.

(C) A company may calculate the amount of any guaranteed paid-up nonforfeiture benefit including any paid-up additions under the policy on the basis of an interest rate no lower than that specified in the policy for calculating cash surrender values.

(D) In calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1980 Extended Term Insurance Table for policies of ordinary insurance and not more than the Commissioners 1961 Industrial Extended Term Insurance Table for policies of industrial insurance.

(E) For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on appropriate modifications of the tables referred to in this subdivision.

(F) ~~Any~~ **For policies issued:**

(i) **before the operative date of the valuation manual specified in IC 27-1-12.8-34, any commissioners standard** ordinary mortality tables, adopted after 1980 by the National Association of Insurance Commissioners, that are approved by regulation promulgated by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners 1980 Standard Ordinary Mortality Table with or without Ten-Year Select Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table; **or**

(ii) on or after the operative date of the valuation manual specified in IC 27-1-12.8-34, the valuation manual must provide the commissioners standard ordinary mortality

table for use in determining the minimum nonforfeiture standard that may be substituted for the Commissioners 1980 Standard Ordinary Mortality Table with or without Ten-Year Select Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table. If the commissioner adopts a rule under IC 4-22-2 to approve any commissioners standard ordinary mortality table adopted by the National Association of Insurance Commissioners for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual, that minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual.

(G) ~~Any~~ **For policies issued:**

(i) before the operative date of the valuation manual specified in IC 27-1-12.8-34, any commissioners standard industrial mortality tables, adopted after 1980 by the National Association of Insurance Commissioners, that are approved by regulation promulgated by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961 Industrial Extended Term Insurance Table; **or**

(ii) on or after the operative date of the valuation manual specified in IC 27-1-12.8-34, the valuation manual must provide the commissioners standard industrial mortality table for use in determining the minimum nonforfeiture standard that may be substituted for the Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961 Industrial Extended Term Insurance Table. If the commissioner adopts a rule under IC 4-22-2 to approve any commissioners standard industrial mortality table adopted by the National Association of Insurance Commissioners for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual, that minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual.

(9) The nonforfeiture interest rate per annum for any policy issued in a particular calendar year shall be **as follows:**

(A) For policies issued before the operative date of the valuation manual specified in IC 27-1-12.8-34, equal to one hundred twenty-five percent (125%) of the calendar year statutory valuation interest rate for such policy ~~as defined in IC 27-1-12-10,~~ **under IC 27-1-12.8,** rounded to the nearer one quarter of one percent (1/4 of 1%).

(B) For policies issued on or after the operative date of the valuation manual specified in IC 27-1-12.8-34, the nonforfeiture interest rate per annum for a policy issued in a particular calendar year must be provided by the valuation manual.

(10) Notwithstanding any other provision in this title to the contrary, any refiling of nonforfeiture values or their methods of computation for any previously approved policy form which involves only a change in the interest rate or mortality table used to compute nonforfeiture values shall not require refiling of any other provisions of that policy form.

(11) After September 1, 1981, any company may file with the commissioner a written notice of its election to comply with the provisions of this subsection after a specified date before January 1, 1989, which shall be the operative date of this subsection for such company. If a company makes no such election, the operative date of this subsection for such company shall be January 1, 1989.

(e) Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in subsections (b), (c), (d), and (dd) may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the amounts used to provide such additions. Notwithstanding the provisions of subsection (b), additional benefits payable (1) in the event of death or dismemberment by accident or accidental means, (2) in the event of total and permanent disability, (3) as reversionary annuity or deferred reversionary annuity benefits, (4) as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply, (5) as term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if such term insurance expires before the child's age is twenty-six (26), is uniform in amount after the child's age is one (1), and has not become paid up by reason of the death of a parent of the child, and (6) as other policy benefits additional to life insurance and endowment benefits, and premiums for all such additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

(f) This section shall not apply to any reinsurance, group insurance, pure endowment, annuity or reversionary annuity contract, nor to any term policy of uniform amount, which provides no guaranteed nonforfeiture or endowment benefits, or renewal thereof, of twenty (20) years or less expiring before age seventy-one (71), for which uniform premiums are payable during the entire term of the policy, nor to any term policy of decreasing amount, which provides no guaranteed nonforfeiture or endowment benefits, on which each adjusted premium, calculated as specified in subsections (d) and (dd), is less than the adjusted premium so calculated on a term policy of uniform amount, or renewal of it, which provides no guaranteed nonforfeiture or endowment benefits, issued at the same age and for the same initial amount of insurance, and for a term of twenty (20) years or less expiring before age seventy-one (71), for which uniform premiums are payable during the entire term of the policy, nor to any policy which provides no guaranteed nonforfeiture or endowment benefits, for which no cash surrender value, if any, or present value of any paid-up nonforfeiture benefit, at the beginning of any policy year, calculated as specified in subsections (b), (c), (d), and (dd) of this section, exceeds two and one-half percent (2 1/2%) of the amount of insurance at the beginning of the same policy year, nor to any policy which shall be delivered outside this state through an agent or other representative of the company issuing the policy. For purposes of determining the applicability of this section, the age at expiry for a joint term life insurance policy shall be the age at expiry of the oldest life.

(g) This subsection, in addition to all other applicable subsections of this section, applies to all policies issued on or after January 1, 1985. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary shall be an amount which does not differ by more than two tenths of one percent (.2%) of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten (10) policy years, from the sum of (a) the greater of zero (0) and the basic cash value specified in this subsection and (b) the present value of any existing paid-up additions less the amount of any indebtedness to the company under the policy.

The basic cash value shall be equal to the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy, excluding any existing paid-up additions and before deduction of any indebtedness to the company, if there had been no default, less the then present value of the nonforfeiture factors, as defined in this subsection, corresponding to premiums which would have fallen due on and after such anniversary. However, the effects on the basic cash value of supplemental life insurance or annuity benefits or of family coverage, as described in subsection (b) or (d) of this section, whichever is applicable, shall be the same as are the effects specified in that subsection on the cash surrender values defined in that subsection.

The nonforfeiture factor for each policy year shall be an amount equal to a percentage of the adjusted premium for the policy year, as defined in subsection (d) or (dd), whichever is applicable. Except as is required by the next succeeding sentence of this paragraph, such percentage:

(1) must be the same percentage for each policy year between the second policy anniversary and the later of (i) the fifth policy anniversary and (ii) the first policy anniversary at which there is available under the policy a cash surrender value in an amount, before including any paid-up additions and before deducting any indebtedness, of at least two tenths of one percent (.2%) of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten (10) policy years; and

(2) must be such that no percentage after the later of the two (2) policy anniversaries specified in the preceding item (a) may apply to fewer than five (5) consecutive policy years. No basic cash value may be less than the value which would be obtained if the adjusted premiums for the policy, as defined in subsection (d) or (dd) of this section, whichever is applicable, were substituted for the nonforfeiture factors in the calculation of the basic cash value.

All adjusted premiums and present values referred to in this subsection shall for a particular policy be calculated on the same mortality and interest bases as are used in demonstrating the policy's compliance with the other subsections of this section. The cash surrender values referred to in this subsection shall include any endowment benefits provided for by the policy.

Any cash surrender value available other than in the event of default in a premium payment due on a policy anniversary, and the amount of any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment shall be determined in manners consistent with the manners specified for determining the analogous minimum amounts in subsections (a), (b), (c), (dd), and (e) of this section. The amounts of any cash surrender values and of any paid-up nonforfeiture benefits granted in connection with additional benefits such as those listed as subdivisions (1) through (6) in subsection (e) of this section shall conform with the principles of this subsection.

(h) 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 which is of such a nature that minimum values cannot be determined by the methods described in subsections (a), (b), (c), (d), or (dd) of this section then:

(1) the commissioner must be satisfied that the benefits provided under the plan are substantially as favorable to policyholders and insureds as the minimum benefits otherwise required by subsection (a), (b), (c), (d), or (dd) of this section;

(2) the commissioner must be satisfied that the benefits and the pattern of premiums of that plan are not such as to mislead prospective policyholders or insureds; and

(3) the cash surrender values and paid-up nonforfeiture benefits provided by such plan must not be less than the minimum values and benefits required for the plan computed by a method consistent with the principles of this section, as determined by regulations promulgated by the department.

SECTION 4. IC 27-1-12-9 IS REPEALED [EFFECTIVE JULY 1, 2013]. ~~Sec. 9. Policies of life insurance bearing dates of issue which are earlier than a transition date selected by the company pursuant to section 12 of this chapter, such transition date in no event to be later than January 1, 1948, shall be valued in accordance with the following methods and standards:~~

~~(a) As soon as practicable after the filing of the annual statement of any life insurance company organized under this article or under any other law or laws of this state and doing business in this state in the office of the department, as provided in IC 27-1-20-21, the department shall proceed to ascertain the net reserve value of each policy in force on December 31 immediately preceding, upon the basis of the American Experience Table of Mortality and four percent (4%) interest or Actuaries' Combined Experience Table of Mortality and four percent (4%) interest, as adopted by the company, and should any such company issue any policies based upon a higher standard~~

~~than the above, such policies shall be valued according to such higher standard. For the purpose of making such valuation, the department may employ an actuary to do the same, who shall be paid by the company for which the services are rendered, but nothing herein shall prevent any company from making said valuation herein contemplated, which may be accepted by the department upon such proof as it may determine. The department, or anyone representing it, in making any valuation of the policies of any life insurance company incorporated under any law of this state, for the purpose of ascertaining the net reserve value of outstanding policies of any such company, shall compute such net reserve value according to the terms of each policy outstanding, and should any policy provide that any time covered thereby is term insurance, or for a valuation as term insurance for any time covered by such policy, the valuation of such policy shall be in accordance with any such provision in such policy, but any policy issued after March 5, 1909, may provide for not more than one (1) year's preliminary term insurance, and if the premium charged for term insurance under a limited payment life preliminary term policy providing for the payment of less than twenty (20) annual premiums or under an endowment preliminary term policy, exceeds that charged for life insurance under twenty (20) payment life preliminary term policies of the same company, the reserve thereon at the end of any year, including the first, shall not be less than the reserve on a twenty (20) payment life preliminary term policy issued in the same year at the same age, together with an amount which shall be equivalent to the accumulation of a net level premium sufficient to provide for a pure endowment at the end of the premium payment period equal to the difference between the value at the end of such period of such a twenty (20) payment life preliminary term policy and the full reserve at such time of such limited payment life or endowment policy. All policies of life insurance, including policies issued on a reducing premium plan, or a return premium plan shall be valued according to the provisions in this article, except that, in every case in which the actual premium charged for an insurance is less than the net premium for such insurance, based upon the American Men Ultimate Table of Mortality with three and one-half percent (3 1/2%) interest, then and not otherwise the company shall also be charged with the value of an annuity, the amount of which shall be equal to the difference between the premium charged and the net premium for such insurance based upon the American Men~~

~~Ultimate Table with three and one-half percent (3 1/2%) interest and the term of which in years shall equal the number of future annual payments due on the insurance at the date of valuation; provided, however, that the provisions of this subdivision for the valuation of policies shall apply to life insurance policies only.~~

~~(b) Insurance against permanent mental or physical disability resulting from accident or disease or against accidental death, combined with a policy of life insurance, shall be valued on a basis of fifty percent (50%) of the additional annual premium charged therefor.~~

~~(c) The department, for the purpose of ascertaining the solvency of any company, may at any time during the year proceed to ascertain the net reserve value of the policies of any company, as provided in this section.~~

~~(d) Reserves may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for all policies and contracts than the reserves produced by the standard specified in this section.~~

~~(e) Any 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 for in this section may, with the approval of the department, adopt any standard of valuation producing lower aggregate reserves, but not lower in the aggregate than the reserves produced by the standard or standards specified in its policies.~~

SECTION 5. IC 27-1-12-10 IS REPEALED [EFFECTIVE JULY 1, 2013]. ~~Sec. 10. Policies of life insurance and annuity and pure endowment contracts bearing dates of issue that are the same as or later than a transition date to be selected by the company pursuant to section 12 of this chapter, such transition date in no event to be later than January 1, 1948, and annuities and pure endowments purchased on or after the operative date provided for in paragraph (i) of subsection (2) of this section under group annuity and pure endowment contracts bearing dates of issue prior to such transition date, shall be valued in accordance with the following methods and standards:~~

~~(1) The department shall value, or cause to be valued, as of December 31 of each year the reserve liabilities (hereinafter called reserves) of all outstanding life insurance policies and annuity and pure endowment contracts of each life insurance company doing business in this state, and may certify the amount of such reserves, specifying the mortality table or tables, rate or rates of interest and methods (net level premium or other method) used in the calculation of same;~~

~~provided, that in the case of alien companies, the valuation shall be limited to policies and contracts written within the United States, its territories or possessions. Group methods and approximate averages for fractions of a year or otherwise may be used in calculating such reserves, and the valuation made by the company may be accepted by the department upon such evidence of its correctness as the department may require. In lieu of the valuation of the reserves required in this section of any foreign or alien company, the department may accept any valuation of the reserves of such company made or caused to be made by the insurance supervisory official of any state or jurisdiction (a) if such valuation complies with the minimum standard provided for in this section, and (b) if the insurance supervisory official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of reserve valuation of the department evidencing that such valuation was made in a specified manner according to which the aggregate reserves are at least as large as if computed in the manner prescribed by the law of such state or jurisdiction.~~

~~The department, for the purpose of ascertaining the solvency of any company, may at any time during the year proceed to ascertain the reserve liabilities of the policies of any company, as hereinbefore provided.~~

~~(2) Except as otherwise provided in subsections (2)(i) and (2)(j) of this section, the minimum standard for the valuation of all such policies and contracts shall be the commissioners' reserve valuation method defined in subsection (3) of this section, three and one-half percent (3 1/2%) interest, or four percent (4%) interest in the case of policies and contracts, other than annuity and pure endowment contracts, bearing a date of issue of or later than September 1, 1973, and before September 1, 1979, five and one-half percent (5 1/2%) interest for single premium life insurance policies, and four and one-half percent (4 1/2%) interest for all other policies and contracts issued after August 31, 1979, and the following tables:~~

~~(a) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies-the Commissioners 1941 Standard Ordinary Mortality Table for such policies bearing a date of issue prior to the operative date of the fifth paragraph of subsection (d) of section 7 of this chapter, the Commissioners 1958 Standard Ordinary Mortality Table for such policies bearing a date of issue which is the same as or later than the operative date of the fifth paragraph of IC 27-1-12-7(d) and prior to the operative date of IC 27-1-12-7(dd); 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 (6) years younger than the actual age of the insured; and for such policies issued on or after the operative date of IC 27-1-12-7(dd): (i) the Commissioners 1980 Standard Ordinary Mortality Table; or (ii) at the election of the company for any one (1) or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors; or (iii) any ordinary mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule promulgated by the department for use in determining the minimum standard of valuation for such policies.~~

~~(b) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies-the 1941 Standard Industrial Mortality Table for such policies bearing a date of issue prior to the operative date of the seventh paragraph of IC 27-1-12-7(d) and for such policies bearing a date of issue which is the same as or later than such operative date the Commissioners 1961 Standard Industrial Mortality Table or any industrial mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by the rule promulgated by the department for use in determining the minimum standard of valuation for such policies; for such policies bearing a date of issue which is the same as or later than such operative date.~~

~~(c) For ordinary annuity and pure endowment contracts, excluding any disability and accidental death benefits in such contracts-the 1937 Standard Annuity Mortality Table or, at the option of the company the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the department.~~

~~(d) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such contracts-the Group Annuity Mortality Table for 1951, any modification of such table approved by the department, or, at the option of the company, any of the tables or modifications of tables authorized for ordinary annuity and pure endowment contracts.~~

~~(e) For total and permanent disability benefits in or supplementary to ordinary policies or contracts for such policies or contracts bearing a date of issue of or later than 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 promulgated by the~~

~~department for use in determining the minimum standard of valuation for such policies; for such policies or contracts bearing a date of issue of or later than January 1, 1961, and prior to January 1, 1966, either such tables or, at the option of the company, the Class (3) Disability Table (1926); and for such policies or contracts bearing a date of issue prior to January 1, 1961, the Class (3) Disability Table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.~~

~~(f) For accidental death benefits in or supplementary to ordinary and industrial policies-for such policies bearing a date of issue of or later than 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 promulgated by the commissioner for use in determining the minimum standard of valuation for such policies; for such policies bearing a date of issue of or later than January 1, 1961, and prior to January 1, 1966, either such table or, at the option of the company, the Inter-Company Double Indemnity Mortality Table; and for such policies bearing a date of issue prior to January 1, 1961, the Inter-Company Double Indemnity Mortality Table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.~~

~~(g) For group life insurance issued on a standard basis, excluding any disability and accidental death benefits in such policies-the Commissioners 1958 Standard Ordinary Mortality Table or such other table as may be specified by the company and approved by the department.~~

~~(h) For other special benefits and for life insurance benefits contained in policies issued on a substandard basis-such tables as may be approved by the department.~~

~~(i) Except as provided in subsection (2)(j) of this section, minimum standard for the valuation of all ordinary annuity and pure endowment contracts bearing a date of issue which is the same as or later than the operative date of this paragraph (i), as defined in this subsection, and for all annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts, shall be the commissioners' reserve valuation method defined in subsection (3) of this section and the following tables and interest rates:~~

~~(i) For ordinary annuity and pure endowment contracts bearing a date of issue before September 1, 1979, excluding any disability and accidental death benefits in such contracts, the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the department, and six percent (6%) interest~~

~~for ordinary single premium immediate annuity contracts and four percent (4%) interest for all other ordinary annuity and pure endowment contracts.~~

~~(ii) For ordinary annuity and pure endowment contracts bearing a date of issue after August 31, 1979, excluding any disability and accidental death benefits in such contracts, the 1971 Individual Annuity Mortality Table, or any individual annuity mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule promulgated by the department for use in determining the minimum standard of valuation for such contracts, or any modification of these tables approved by the department, and seven and one-half percent (7 1/2%) interest for ordinary single premium immediate annuity contracts, five and one-half percent (5 1/2%) interest for single premium deferred annuity and pure endowment contracts; and four and one-half percent (4 1/2%) interest for all other ordinary annuity and pure endowment contracts.~~

~~(iii) For all annuities and pure endowments purchased before September 1, 1979, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 Group Annuity Mortality Table, or any modification of this table approved by the department, and six percent (6%) interest.~~

~~(iv) For all annuities and pure endowments purchased after August 31, 1979, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 Group Annuity Mortality Table, or any group annuity mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule promulgated by the department for use in determining the minimum standard of valuation for such annuities and pure endowments, or any modification of these tables approved by the department, and seven and one-half percent (7 1/2%) interest.~~

~~After September 1, 1973, any company may file with the department a written notice of its election to invoke the provisions of this paragraph (i) after a specified date before January 1, 1979, which specified date shall be the operative date of this paragraph (i) for such company; provided, that any company may elect an operative date for ordinary annuity and pure endowment contracts different from that elected for group annuity and pure endowment contracts. If a company makes no such election, the operative date of this paragraph (i) for such~~

~~company shall be January 1, 1979.~~

~~(j)(A) Applicability of this Subsection~~

~~(1) The interest rates used in determining the minimum standard for the valuation of:~~

~~(a) all life insurance policies issued in a particular calendar year, on or after the operative date of IC 27-1-12-7(dd);~~

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

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

~~(d) the net increase, if any, in a particular calendar year after January 1, 1982, in amounts held under guaranteed interest contracts; shall be the calendar year statutory valuation interest rates as defined in this subsection.~~

~~(B) Calendar Year Statutory Valuation Interest Rates~~

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

~~(a) For life insurance,~~

~~I = .03 + W(R1 - .03) + W/2(R2 - .09)~~

~~(b) 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 this subsection, and W is the weighting factor defined in this subsection.~~

~~(c) 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 (b) above, the formula for life insurance stated in (a) above shall apply to annuities and guaranteed interest contracts with guarantee durations in excess of ten (10) years and the formula for single premium immediate annuities stated in (b) above shall apply to annuities and guaranteed interest contracts with guarantee duration of ten (10) years or less.~~

~~(d) 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 (b) above shall not apply.~~

~~(c) 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 (b) above shall apply.~~

~~(2) 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 one percent (1/2 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 for 1979) and shall be determined for each subsequent calendar year regardless of when IC 27-1-12-7(dd) becomes operative.~~

~~(C) Weighting Factors~~

~~(1) The weighting factors referred to in the formulas stated above are given in the following tables:~~

~~(a) Weighting Factors for Life Insurance:~~

~~Guarantee Duration (Years)~~	~~Weighting Factors~~
~~10 or less:~~	~~.50~~
~~More than 10, but not more than 20:~~	~~.45~~
~~More than 20:~~	~~.35~~

~~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;~~

~~(b) 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~~

~~(c) Weighting factors for other annuities and for guaranteed interest contracts, except as stated in (b) above, shall be as specified in tables (i), (ii), and (iii) below, according to the rules and definitions in (iv), (v) and (vi) below:~~

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

~~Guarantee Duration (Years)~~	~~Weighting Factor 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~~

~~(ii) For annuities and guaranteed interest contracts valued on a change in fund basis, the factors shown in (i) above increased by:~~

~~Plan Type~~		
~~A~~	~~B~~	~~C~~
~~.15~~	~~.25~~	~~.05~~

~~(iii) 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 (1) 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 twelve (12) months beyond the valuation date, the factors shown in (i) or derived in (ii) increased by:~~

~~Plan Type~~		
~~A~~	~~B~~	~~C~~
~~.05~~	~~.05~~	~~.05~~

~~(iv) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the guaranteed 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 twenty (20) years. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence.~~

~~(v) Plan type as used in the above tables is defined as follows:~~

~~Plan Type A: At any time policyholder may withdraw funds only (1) with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) without such adjustment but in installments over five (5) years or more, or (3) as an immediate life annuity, or (4) no withdrawal permitted.~~

~~Plan Type B: Before expiration of the interest rate guarantee, policyholder may withdraw funds only (1) with adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) without such adjustment but in installments over five (5) years or more, or (3) no withdrawal permitted. At the end of interest rate guarantee, funds may be withdrawn without such adjustment in a single sum or installments over less than five (5) years.~~

~~Plan Type C: Policyholder may withdraw funds before expiration of interest rate guarantee in a single sum or installments over less than five (5) years either (1) without adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund.~~

~~(vi) 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 must 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 fund.~~

~~(D) Reference Interest Rate~~

~~(1) The Reference Interest Rate referred to in subsection (B) of this section shall be defined as follows:~~

~~(a) For all life insurance, the lesser of the average over a period of thirty-six (36) months and the average over a period of twelve (12) months, ending on June 30 of the calendar year next preceding the year of issue, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's 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 twelve (12) months, ending on June 30 of the calendar year of issue or year of purchase of Moody's Corporate Bond Yield Average-Monthly Average Corporates,~~

~~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 (b) above, with guarantee duration in excess of ten (10) years, the lesser of the average over a period of thirty-six (36) months and the average over a period of twelve (12) months, ending on June 30 of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, 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 (b) above, with guarantee duration of ten (10) years or less, the average over a period of twelve (12) months, ending on June 30 of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, 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 twelve (12) months, ending on June 30 of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, 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 (b) above, the average over a period of twelve (12) months, ending on June 30 of the calendar year of the change in the fund, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.~~

~~(E) Alternative Method for Determining Reference Interest Rates~~

~~In the event that Moody's Corporate Bond Yield Average-Monthly Average Corporates is no longer published by Moody's Investors Service, Inc., or in the event that the National Association of Insurance Commissioners determines that Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc., is no longer appropriate for the determination of the reference interest rate, then an alternative method for determination of the reference interest rate, which is adopted by the National Association of Insurance Commissioners and approved by rule promulgated by the department, may be substituted.~~

~~(3) Reserves according to the commissioners' reserve valuation method, for 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 benefits shall be such uniform percentage of the respective contract premiums for such benefits, excluding any extra premiums charged because of impairments or special hazards, 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 (a) over (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 (1) per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; provided that such net level annual premium shall not exceed the net level annual premium on the nineteen (19) year premium whole life plan for insurance of the same amount at an age one (1) year higher than the age at issue of such policy.~~

~~(b) A net one (1) year term premium for such benefits provided for in the first policy year.~~

~~Provided that for any life insurance policy issued on or after January 1, 1985, 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 commissioners' reserve valuation method as of any policy anniversary occurring on or before the assumed ending date defined herein 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 subsection (6) of this section, be the greater of the reserve as of such policy anniversary calculated as described in the preceding paragraph and the reserve as of such policy anniversary calculated as described in that paragraph, but with (i) the value defined in subparagraph (a) of that paragraph being reduced by fifteen percent (15%) of the amount of such excess first year premium, (ii) all 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. In making the above comparison, the mortality and interest bases stated in paragraphs (a) through (h) and paragraph (j) of subsection (2) of this section shall be used.~~

~~Reserves according to the commissioners' reserve valuation method for: (i) life insurance and endowment benefits of policies providing for a varying amount of insurance or requiring the payment of varying premiums; (ii) group annuity and pure endowment contracts, purchased under a retirement plan or a plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship), or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code; (iii) disability and accidental death benefits in all policies and contracts; and (iv) all other benefits, except life insurance and endowment benefits and benefits provided by all other annuity and pure endowment contracts, shall be calculated by a valuation method consistent with the principles set forth in the preceding paragraph of this subsection.~~

~~This paragraph applies to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code. Reserves according to the commissioners' annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in those contracts, is the greatest of the respective excesses of present values, at the date of valuation, of future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by the terms of those 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 the contract, that become payable before the end of each contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate, or rates, specified in the contract for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of those contracts to determine nonforfeiture values.~~

~~(4) In no event shall a company's aggregate reserves for all life~~

~~insurance policies, excluding disability and accidental death benefits, be less than the corresponding aggregate reserves calculated in accordance with the methods set forth in subsections (3), (6), and (7) of this section and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies, anything in subsections (2) and (5) to the contrary notwithstanding. In no event shall the aggregate reserves for all policies, contracts, and benefits be less than the aggregate reserves determined to be necessary by the qualified actuary under IC 27-1-12-10.1.~~

~~(5) Reserves for any category of policies, contracts, or benefits as may be determined by the company and approved by the department 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 established by this section, but the rate or rates of interest used shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits in such policies, contracts, or benefits.~~

~~Any 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 for in this section may, with the approval of the department, adopt any standard of valuation producing lower aggregate reserves, but not lower in the aggregate than the reserves produced by the minimum standard specified in this section.~~

~~(6) If in any contract year the gross premium charged by any life insurance 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 that policy or contract shall be the greater of:~~

~~(A) the reserve calculated according to the mortality table, rate of interest, and method actually used for that policy; or~~

~~(B) the reserve calculated by the method actually used for that policy or contract but using the minimum standards of mortality and rate of interest and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium. The minimum valuation standards of mortality and rate of interest referred to in this subsection are those standards stated in paragraphs (a) through (h) and paragraph (j) of subsection (2) of this section.~~

~~Provided that for any life insurance policy issued on or after January~~

~~1, 1985, for which the gross premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess and which provides an endowment benefit or a cash surrender value or a combination of the two in an amount greater than such excess premium, the foregoing provisions of this section (6) shall be applied as if the method actually used in calculating the reserve for such policy were the method described in subsection (3) of this section, ignoring the second paragraph of subsection (3) of this section. The minimum reserve at each policy anniversary of such a policy shall be the greater of the minimum reserve calculated in accordance with subsection (3) of this section, including the second paragraph of that subsection, and the minimum reserve calculated in accordance with subsection (6) of this section.~~

~~(7) 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 subsections (3) and (6) of this section, the reserves which are held under any such plan must:~~

~~(a) be appropriate in relation to the benefits and the pattern of premiums for that plan, and~~

~~(b) be computed by a method which is consistent with the principles of this section, as determined by rules promulgated by the department.~~

SECTION 6. IC 27-1-12-10.1 IS REPEALED [EFFECTIVE JULY 1, 2013]. ~~Sec. 10.1. (a) As used in this section, "qualified actuary" means a member in good standing of the American Academy of Actuaries who meets any requirements the commissioner may establish in rules adopted under IC 4-22-2 as a prerequisite to offering the opinions required by this section.~~

~~(b) Each life insurance company doing business in Indiana shall annually submit to the department the opinion of a qualified actuary as to whether the reserves and related actuarial items held by the life insurance company in support of the policies and contracts specified by the commissioner by rules adopted under IC 4-22-2:~~

~~(1) are computed appropriately;~~

~~(2) are based on assumptions that satisfy contractual provisions;~~

~~(3) are consistent with prior reported amounts; and~~

~~(4) comply with applicable laws of Indiana.~~

~~The commissioner shall adopt rules under IC 4-22-2 to implement this section. The rules adopted by the commissioner must specify the~~

~~information to be included in an actuary's opinion submitted under this section and may require the inclusion in the opinion of any other items of information that the commissioner considers necessary to the scope of the opinion.~~

~~(c) Unless it is exempted by a rule adopted by the commissioner under IC 4-22-2, a life insurance company doing business in Indiana shall include with the actuary's opinion submitted under subsection (b) an opinion by the same qualified actuary. The opinion required under this subsection shall state whether the reserves and related actuarial items held by the life insurance company in support of the policies and contracts specified by the commissioner by rules adopted under IC 4-22-2 make adequate provision for the obligations of the company under the policies and contracts, including but not limited to:~~

~~(1) the benefits under; and~~

~~(2) the expenses associated with;~~

~~the policies and contracts of the life insurance company. In making the determination required under this subsection, the qualified actuary shall consider the assets held by the company with respect to reserves and related actuarial items, including but not limited to investment earnings on the assets and the considerations anticipated to be received and retained under the policies and contracts.~~

~~(d) The commissioner, in rules adopted under IC 4-22-2, may provide for a transition period for establishing any higher reserves that the qualified actuary may consider necessary in order to render the opinion required by this section.~~

~~(e) The following requirements apply to the actuary's opinion required by subsection (c):~~

~~(1) A memorandum, which meets all requirements that the commissioner may establish by rules adopted under IC 4-22-2 concerning form and content, shall be prepared to support each actuarial opinion.~~

~~(2) If:~~

~~(A) the life insurance company fails to provide a supporting memorandum at the request of the commissioner within a period specified by rules adopted by the commissioner under IC 4-22-2; or~~

~~(B) the commissioner determines that the supporting memorandum provided by the life insurance company does not meet the standards set forth in rules adopted by the commissioner under IC 4-22-2 or is otherwise unacceptable to the commissioner;~~

~~the commissioner may engage a qualified actuary at the expense~~

~~of the life insurance company to review the opinion and the basis for the opinion and to prepare a supporting memorandum, if a supporting memorandum is required by the commissioner.~~

~~(f) The following requirements apply to every opinion under this section:~~

~~(1) The opinion shall be submitted with the annual statement of the life insurance company and must reflect the valuation of reserve liabilities for each year ending after December 31, 1994.~~

~~(2) The opinion must apply to all business in force, including individual and group health insurance plans, and must meet all requirements that the commissioner may establish concerning form and content by rules adopted under IC 4-22-2.~~

~~(3) The opinion must be based on standards adopted periodically by the Actuarial Standards Board and on additional standards that the commissioner may prescribe by rules adopted under IC 4-22-2.~~

~~(4) In the case of an opinion required to be submitted by a foreign or an alien life insurance 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 Indiana.~~

~~(g) Except in cases of fraud or willful misconduct, a qualified actuary who provides an opinion required by this section is not liable for damages to any person other than:~~

~~(1) the life insurance company for which the opinion is offered; and~~

~~(2) the commissioner;~~

~~for any act, error, omission, decision, or conduct with respect to the actuary's opinion.~~

~~(h) The rules adopted by the commissioner under IC 4-22-2 to implement this section shall provide for disciplinary action against a life insurance company or a qualified actuary who violates this section or the rules adopted under this section.~~

~~(i) Except as provided in subsections (j) and (k), a memorandum submitted by a life insurance company in support of an opinion required by this section and any other material provided to the commissioner by the company in connection with the memorandum:~~

~~(1) are declared confidential for the purposes of IC 5-14-3-4(a)(1);~~

~~(2) shall be kept confidential by the commissioner; and~~

~~(3) are not subject to subpoena;~~

~~other than for the purpose of defending an action seeking damages from any person by reason of any action required by this section or rules adopted under this section.~~

~~(j) A memorandum submitted by a life insurance company in support of an opinion required by this section and material provided to the commissioner by the company in connection with the memorandum may be released by the commissioner:~~

~~(1) with the written consent of the life insurance company; or~~

~~(2) to the American Academy of Actuaries in response to a written request that:~~

~~(A) states that the memorandum or other material is required for the purpose of professional disciplinary proceedings; and~~

~~(B) sets forth procedures satisfactory to the commissioner for preserving the confidentiality of the memorandum or other material.~~

~~(k) Whenever any portion of a memorandum submitted to the commissioner by a life insurance company in support of an opinion required by this section:~~

~~(1) is cited by the company in its marketing;~~

~~(2) is cited before any governmental agency other than a state insurance department; or~~

~~(3) is released by the company to the news media;~~

~~all portions of the memorandum are no longer confidential.~~

~~(l) The commissioner shall adopt rules under IC 4-22-2 containing the minimum standards for the valuation of health plans.~~

SECTION 7. IC 27-1-12-11, AS AMENDED BY P.L.81-2012, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 11. (a) After the department has ascertained the net reserve value of all policies ~~(as defined in section 9 of this chapter)~~ **under IC 27-1-12.8-18** or the reserve liabilities ~~(as defined in section 10 of this chapter)~~ **under IC 27-1-12.8** of any life insurance company organized and doing business in this state, the department shall notify said company of the amount or amounts thereof. Within sixty (60) days after the date of such notification, the officers of such company shall deposit with the department, solely for the security and benefit of all its policyholders, assets in an amount, invested in accordance with section 2 of this chapter (except paragraph 20 of section 2(b) of this chapter) which together with the assets already deposited with the department and such additional assets as may be deposited by said company with other states or governments, pursuant to the requirements of the laws of such other states or governments in which said company is doing business, shall be not less than the lesser of the amount of such reserve value or reserve liabilities or the amount provided under subsection (f). No life insurance company organized under this article or any other law of this state shall be required to make such deposit until the amount prescribed by this subsection exceeds the amount deposited by said company under IC 27-1-6-14 or IC 27-1-6-15. Investments in real estate shall be deposited in the form of satisfactory evidences of ownership. The deposit requirement in relation to policy loans and bank deposits shall be considered fulfilled by the inclusion of such item in the company's annual statement, but subject to the right of the company at any time, and the obligation of the company on demand of the department, to file with the department a certificate as to the amount of such item.

(b) If the department in the course of the year ascertains that the net reserve value of a company's policies ~~(as defined in section 9 of this chapter)~~ **under IC 27-1-12.8-18** or its reserve liabilities ~~(as defined in section 10 of this chapter)~~ **under IC 27-1-12.8** exceeds such company's deposits as required by subsection (a), it may require such company within sixty (60) days to increase its deposit to the required amount.

(c) Nothing in this article shall prevent the deposit of bonds, mortgages, or other securities which meet the investment requirements of a foreign or alien state or country, to an amount not exceeding the amount of the reserves on policies issued to residents of, and to corporations doing business in, such state or country. If, pursuant to the law of a foreign or alien state or country in which an Indiana life insurance company is doing business, securities belonging to such a company are required to be deposited within the boundaries of such foreign or alien state or country, credit for the amount of such deposit, not exceeding the amount of the reserves on policies issued to residents of, and to corporations doing business in, such foreign or alien state or country, may be taken by the company as an offset against its deposits required under this article.

(d) If, pursuant to the law of a foreign or alien state or country, a life insurance company domiciled therein is not permitted a reserve credit for reserves maintained by a reinsurer foreign to such a state or country, except on the condition that the amount of such reserve be deposited with the insurance supervisory official of such state or country, a deposit credit for the amount of such reserves so deposited shall be allowed a domestic life insurance company accepting reinsurance from companies domiciled in such state or country.

(e) Any deposit of assets with the department pursuant to any law superseded by this chapter shall, prior to the first deposit date contemplated in subsection (a), be continued with the department and otherwise be subject to this section.

(f) The amount of the deposit, except as otherwise provided in subsection (a), shall be one million dollars ($1,000,000) excluding policy loans and bank deposits, or such greater amount as the department deems necessary to protect the interests of the policyholders of a particular company by an order to the company to deposit additional amounts under this section.

(g) Except for a company that maintains a deposit in the amount specified in subsection (f), each company:

(1) must report to the department each new asset acquisition to establish its eligibility for investment under the numbered categories of permissible investments under section 2 of this chapter at such regular intervals, within the time limit following each interval and on the forms as the department may require, without complying with IC 4-22-2; and

(2) when ordered by the department, shall make any additional report relating to:

(A) the category of eligibility, the characteristics, or the amount of any investment; or

(B) the amount of the assets of the company in any category;

calculated under the rules applied for annual statement purposes.

SECTION 8. IC 27-1-12-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 12. The period beginning July 1, 1943, and ending January 1, 1948, both dates inclusive, shall be a transition period between the nonforfeiture provisions set forth respectively in sections 5, 6, and 7 of this chapter and between the valuation provisions set forth respectively in ~~sections 9 and 10 of this chapter~~ **IC 27-1-12.8-18 and IC 27-1-12.8-19 through IC 27-1-12.8-40.** Accordingly, a company may, by means of a writing filed with the department, select a transition date within such period, but should a company fail to make such a selection, the transition date as to such company shall be January 1, 1948. Except as otherwise provided in ~~section 10 of this chapter~~ **IC 27-1-12.8,** for group annuities and pure endowments, policies issued prior to the transition date shall be governed in all respects and at all times by ~~sections~~ **section** 5 ~~and 9~~ of this chapter **and IC 27-1-12.8-18,** and policies issued on or after such transition date shall be governed in all respects and at all times by sections 6 **and** 7 ~~and 10~~ of this chapter **and IC 27-1-12.8.** A company's election of a transition date shall be irrevocable and shall apply to sections 6 **and** 7 ~~and 10~~ of this chapter **and IC 27-1-12.8** without exception, as well as to that portion of section 31 of this chapter which relates to policies bearing a date of issue later than such transition date.

SECTION 9. IC 27-1-12-31 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 31. Any life insurance company may issue life or endowment insurance, with or without annuities, upon the group plan as defined in this chapter, with special rates of premiums less than the usual rates of premiums for such policies, and may value such policies on any accepted table of mortality and interest assumption adopted by the company for that purpose, provided, that in no case shall such standard be lower than the American Men Table of Mortality (ultimate) with interest assumption at three and one-half percent (3 1/2%) in the case of policies issued before the transition date selected by the company pursuant to section 12 of this chapter, nor lower than the standard prescribed in ~~section 10(2)(g) of this chapter~~ **IC 27-1-12.8** in the case of policies issued on and after such transition date. All policies of group insurance shall be segregated by the company into a separate class, the mortality experience kept separate, and the number of policies, amount of insurance, reserves, premiums, and payments to policyholders thereunder, together with the mortality table and interest assumption adopted by the company shall be reported separately in the company's annual financial statement.

SECTION 10. IC 27-1-12.8 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]:

Chapter 12.8. Standard Valuation Law

Sec. 1. (a) Before the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "accident and sickness insurance" means insurance described in Class 1(b), Class 1(c)(2), or Class 2(a) of IC 27-1-5-1.

(b) On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "accident and sickness insurance" means insurance described in Class 1(b), Class 1(c)(2), or Class 2(a) of IC 27-1-5-1 and as may be specified in the valuation manual.

Sec. 2. (a) Before the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "appointed actuary" means a qualified actuary who is appointed to prepare an actuarial opinion required by sections 21 and 22 of this chapter.

(b) On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "appointed actuary" means a qualified actuary who is appointed in accordance with the valuation manual to prepare an actuarial

opinion required by section 23 of this chapter.

Sec. 3. As used in this chapter, "change in fund basis" 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 an annuity or a guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

Sec. 4. As used in this chapter, "company" is limited to a company that has:

(1) issued, delivered, or reinsured at least one (1):

(A) policy of insurance described in Class 1(a) or Class 1(c)(1) of IC 27-1-5-1; or

(B) policy of insurance or contract described in Class 1(b), Class 1(c)(2), or Class 2(a) of IC 27-1-5-1;

in Indiana that is in force or subject to at least one (1) outstanding claim; or

(2) issued, delivered, or reinsured a policy or contract described in subdivision (1)(A) or (1)(B) in another state and is required to hold a certificate of authority to issue, deliver, or reinsure a policy or contract described in subdivision (1)(A) or (1)(B) in Indiana.

Sec. 5. As used in sections 37 and 38 of this chapter, "confidential information" means the following:

(1) A supporting memorandum submitted under section 21, 22, or 23 of this chapter and any other documents, materials, and other information, including all working papers and copies of working papers that are created, produced, or obtained by or disclosed to the commissioner or another person in connection with the supporting memorandum.

(2) All documents, materials, and other information, including all working papers and copies of working papers that are created, produced, or obtained by or disclosed to the commissioner or another person in the course of an examination made under section 34(f) of this chapter. However, if an examination report or other material prepared in connection with an examination made under IC 27-1-3.1 is not maintained as private and confidential information under IC 27-1-3.1, an examination report or other material prepared in connection with an examination made under section 34(f) of this chapter is not confidential to the same extent as if the examination report or other material had been prepared under IC 27-1-3.1.

(3) 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 section 35(c)(2) of this chapter evaluating the effectiveness of the company's internal controls with respect to a principle based valuation and any other document, material, or other information, including all working papers and copies of working papers that are created, produced, or obtained by or disclosed to the commissioner or another person in connection with the report, document, material, or other information.

(4) A principle based valuation report developed under section 35(c)(3) of this chapter and any document, material, or other information, including all working papers and copies of working papers that are created, produced, or obtained by or disclosed to the commissioner or another person in connection with the report.

(5) A document, material, data, or other information submitted by a company under section 36 of this chapter and any other document, material, data, or other information, including all working papers and copies of working papers that are created or produced in connection with the document, material, data, or other information in each case that:

(A) includes any potentially company identifying or personally identifiable information;

(B) is provided to or obtained by the commissioner with the document, material, data, or other information; and

(C) any other document, material, data, or other information, including all working papers and copies of working papers that are created, produced, or obtained by or disclosed to the commissioner or another person in connection with a document, material, data, or other information described in this subdivision.

Sec. 6. As used in this chapter, "contract" means a contract or a policy.

Sec. 7. (a) As used in this chapter, "contractholder behavior" means an action taken by a contract holder, certificate holder, or another person possessing the right to elect options, including:

(1) lapse;

(2) withdrawal;

(3) transfer;

(4) deposit;

(5) premium payment;
(6) loan;
(7) annuitization;
(8) benefit elections; and
(9) other options;
under the contract.

(b) As used in this chapter, "contractholder behavior" does not include events of mortality or morbidity resulting in benefits prescribed according to the terms of the contract.

Sec. 8. (a) Before the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "deposit type contract" means a contract that does not incorporate mortality or morbidity risk.

(b) On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "deposit type contract" means a contract that does not incorporate mortality or morbidity risk and as may be specified in the valuation manual.

Sec. 9. As used in this chapter, "issue year basis" refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of an annuity or a 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.

Sec. 10. (a) Before the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "life insurance" means insurance under a contract that incorporates mortality risk, including annuity and pure endowment contracts.

(b) On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "life insurance" means insurance under a contract that incorporates mortality risk, including annuity and pure endowment contracts, and as may be specified in the valuation manual.

Sec. 11. As used in this chapter, "NAIC" refers to the National Association of Insurance Commissioners.

Sec. 12. As used in this chapter, "plan type" refers to the following:
(1) "Plan Type A" means a plan type for which a contractholder:
(A) may not withdraw funds; or
(B) at any time may withdraw funds only:
(i) with an adjustment to reflect changes in interest rates

or asset values occurring after receipt of the funds by the company;
(ii) without an adjustment, but with installments over at least five (5) years; or
(iii) as an immediate life annuity.
(2) "Plan Type B" means a plan type for which:
(A) before expiration of the interest rate guarantee, a contractholder may not withdraw funds, or may withdraw funds only:
(i) with an adjustment to reflect changes in interest rates or asset values occurring after receipt of the funds by the company; or
(ii) without an adjustment, but in installments over at least five (5) years; and
(B) at the expiration of the interest rate guarantee, funds may be withdrawn without an adjustment in a single sum or installments over less than five (5) years.
(3) "Plan Type C" means a plan type for which a contractholder may withdraw funds before expiration of the interest rate guarantee in a single sum or installments over less than five (5) years:
(A) without adjustment to reflect changes in interest rates or asset values occurring after receipt of the funds by the company; or
(B) subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund.

Sec. 13. On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "principal based valuation" means a reserve valuation that:
(1) uses at least one (1) method or assumption determined by the insurer; and
(2) is required to comply with section 35 of this chapter as specified in the valuation manual.

Sec. 14. (a) Before the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "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.

(b) On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "qualified actuary" means an individual who:
(1) is qualified to sign the applicable statement of actuarial

opinion in accordance with the American Academy of Actuaries qualification standards; and

(2) meets the requirements specified in the valuation manual.

Sec. 15. As used in this chapter, "reserves" means reserve liabilities.

Sec. 16. As used in this chapter, "tail risk" means a risk that occurs where:

(1) the frequency of low probability events is higher than expected under a normal probability distribution; or

(2) there are observed events of very significant size or magnitude.

Sec. 17. As used in this chapter, "valuation manual" refers to the manual of valuation instructions adopted by the NAIC.

Sec. 18. (a) Contracts of life insurance bearing dates of issue that are earlier than a transition date selected by the company under IC 27-1-12-12, the transition date in no event to be later than January 1, 1948, must be valued in accordance with the following:

(1) As soon as practicable after the filing with the department under IC 27-1-20-21 of the annual statement of a company organized under this article or under another law of this state and doing business in Indiana, the department shall ascertain the net reserve value of each contract in force on the immediately preceding December 31, on the basis of:

(A) the American Experience Table of Mortality and four percent (4%) interest; or

(B) the Actuaries' Combined Experience Table of Mortality and four percent (4%) interest;

as adopted by the company. However, if the company issues a contract based on a higher standard than the standards described in clauses (A) and (B), the contract must be valued according to the higher standard. The department may hire, at the company's expense, an actuary to make the valuation or the department may accept a valuation made by the company, as determined by the department.

(2) In making a valuation under subdivision (1), the department or a representative of the department shall compute the net reserve value according to the terms of the contract. If a contract provides term insurance, or for a valuation as term insurance for any time covered by the contract, the valuation of the contract must be in accordance with the provision in the contract. However, a contract issued after March 5, 1909:

(A) may provide for not more than one (1) year of preliminary term insurance; and

(B) if the premium charged for term insurance under:

(i) a limited payment life preliminary term contract providing for the payment of less than twenty (20) annual premiums; or

(ii) an endowment preliminary term contract;

exceeds the premium charged for life insurance under twenty (20) payment life preliminary term contracts of the same company, the reserve on the contract at the end of any year, including the first, must not be less than the reserve on a twenty (20) payment life preliminary term contract issued in the same year at the same age, together with an amount that is equivalent to the accumulation of a net level premium sufficient to provide for a pure endowment at the end of the premium payment period equal to the difference between the value at the end of the period of the twenty (20) payment life preliminary term contract and the full reserve at the time of the limited payment life or endowment contract.

(3) All contracts of life insurance, including contracts issued on a reducing premium plan or a return premium plan, must be valued according to this article. However, if the actual premium charged for an insurance contract is less than the net premium for the insurance contract, based on the American Men Ultimate Table of Mortality with three and one-half percent (3 1/2%) interest, the company must also establish an additional reserve equal to the value of an annuity, the amount of which must be equal to the difference between the premium charged and the net premium for insurance based on the American Men Ultimate Table with three and one-half percent (3 1/2%) interest and a term in years that is equal to the number of future annual payments due on the insurance at the date of valuation.

(4) Insurance against permanent mental or physical disability resulting from accident or disease or against accidental death, combined with a contract of life insurance, must be valued on a basis of fifty percent (50%) of the additional annual premium charged for the insurance.

(5) The department may at any time during the year ascertain the net reserve value of the contracts of a company, as provided in this section, to determine the solvency of the

company.

(6) Reserves may be calculated, at the option of the company, according to standards that produce greater aggregate reserves for all contracts than the reserves produced by the standard specified in this section.

(7) A company that has adopted a standard of valuation producing greater aggregate reserves than the aggregate reserves calculated according to the minimum standard provided for in this section may, with the approval of the department, adopt a standard of valuation producing lower aggregate reserves, but not lower in the aggregate than the reserves produced by the standard specified in the company's contracts.

(b) Subsection (a)(1) through (a)(3) applies only to the valuation of life insurance contracts.

Sec. 19. (a) The commissioner shall annually value or cause to be valued the reserves for all outstanding life insurance contracts and annuity and pure endowment contracts:

(1) of each company doing business in Indiana; and

(2) issued on or after the transition date selected by the company under IC 27-1-12-12, the transition date in no event to be later than January 1, 1948, and before the operative date of the valuation manual.

(b) In calculating 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 of a foreign or alien company, the commissioner may accept a valuation made, or caused to be made, by the insurance supervisory official of another state or jurisdiction when the valuation complies with the minimum standard provided in sections 19 through 40 of this chapter.

(c) Sections:

(1) 24 through 33 of this chapter apply to all contracts, as appropriate, issued on or after the transition date selected by a company under IC 27-1-12-12, the transition date in no event to be later than January 1, 1948, and before the operative date of the valuation manual; and

(2) 34 and 35 of this chapter do not apply to contracts described in subdivision (1).

(d) The minimum standard for the valuation of contracts issued before the transition date selected by a company under IC 27-1-12-12, the transition date in no event to be later than

January 1, 1948, is the minimum standard specified in section 18 of this chapter.

Sec. 20. (a) The commissioner shall annually value, or cause to be valued, the reserves for all outstanding life insurance contracts, annuity and pure endowment contracts, accident and sickness insurance contracts, and deposit-type contracts:

(1) of each company; and

(2) issued on or after the operative date of the valuation manual.

In lieu of the valuation of the reserves 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 another state or jurisdiction if the valuation complies with the minimum standards provided in sections 19 through 40 of this chapter.

(b) Sections 34 and 35 of this chapter apply to all contracts issued on or after the operative date of the valuation manual.

Sec. 21. (a) This section applies before the operative date of the valuation manual.

(b) A company doing business in Indiana shall annually submit to the department the opinion of a qualified actuary concerning whether the reserves and related actuarial items held by the company in support of the contracts specified by the commissioner in rules adopted under IC 4-22-2:

(1) are computed appropriately;

(2) are based on assumptions that satisfy contractual provisions;

(3) are consistent with previously reported amounts; and

(4) comply with applicable laws of the state.

(c) The commissioner shall adopt rules under IC 4-22-2 to implement this section. The rules adopted by the commissioner:

(1) must specify the information to be included in an actuary's opinion submitted under this section;

(2) may require the inclusion in the opinion of other items of information that the commissioner considers necessary to the scope of the opinion; and

(3) must provide for disciplinary action against a company or a qualified actuary that violates this section.

(d) Unless exempted by a rule adopted by the commissioner under IC 4-22-2, a company doing business in Indiana shall include with the actuary's opinion submitted under subsection (b) an opinion by the same qualified actuary stating whether the reserves and related actuarial items held by the company in support of the

contracts specified by the commissioner in rules adopted under IC 4-22-2 make adequate provision for the obligations of the company under the contracts, including:

(1) the benefits under;

(2) the expenses associated with; and

(3) any other obligations under;

the contracts of the company. In making the determination required under this subsection, the qualified actuary shall consider the assets held by the company with respect to reserves and related actuarial items, including investment earnings on the assets and the considerations anticipated to be received and retained under the contracts.

(e) The commissioner, in rules adopted under IC 4-22-2, may provide for a transition period to establish higher reserves considered necessary by the qualified actuary to render the opinion required by this section.

(f) The following requirements apply to an actuary's opinion required by subsection (d):

(1) A memorandum that meets all requirements established by the commissioner in rules adopted under IC 4-22-2 concerning form and content must be prepared to support each actuarial opinion.

(2) If:

(A) the company fails to provide a supporting memorandum at the request of the commissioner within a period specified by rules adopted by the commissioner under IC 4-22-2; or

(B) the commissioner determines that the supporting memorandum provided by the company does not meet the standards set forth in rules adopted by the commissioner under IC 4-22-2 or is otherwise unacceptable to the commissioner;

the commissioner, at the expense of the company, may engage a qualified actuary to review the opinion and the basis for the opinion and to prepare the supporting memorandum required by the commissioner.

(g) The following apply to an actuarial opinion submitted under this section:

(1) The opinion must:

(A) be submitted with the annual statement of the company; and

(B) reflect the valuation of reserves for each year ending

after December 31, 1994.

(2) The opinion must:

(A) apply to all business in force, including individual and group accident and sickness insurance contracts; and

(B) meet all requirements concerning form and content established by the commissioner in rules adopted under IC 4-22-2.

(3) The opinion must be based on:

(A) standards adopted by the Actuarial Standards Board; and

(B) additional standards prescribed by the commissioner in rules adopted under IC 4-22-2.

(4) In the case of an opinion required to be submitted by a foreign or alien company, the commissioner may accept the opinion filed by the foreign or alien 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 Indiana.

(h) Except in cases of fraud or willful misconduct, a qualified actuary who provides an opinion required by this section is not liable for damages to a person other than:

(1) the company for which the opinion is offered; and

(2) the commissioner;

for any act, error, omission, decision, or conduct with respect to the actuary's opinion.

Sec. 22. (a) This section applies before the operative date of the valuation manual.

(b) Except as otherwise provided in this section, a supporting memorandum submitted by a company as required by section 21 of this chapter and material provided to the commissioner by the company in connection with the supporting memorandum:

(1) are confidential;

(2) are not subject to subpoena; and

(3) are not subject to discovery or admissible in evidence in a private civil action.

However, the commissioner may use the materials and information in connection with a regulatory or legal action brought as part of the commissioner's duties.

(c) The commissioner, or a person receiving documents, materials, or other information while acting under the authority of the commissioner, is not permitted or required to testify in a

private civil action concerning information that is confidential as described in subsection (b).

(d) The commissioner may disclose documents, materials, and other information, including the information described in subsection (b), to:

(1) other state, federal, and international regulatory agencies;

(2) the NAIC and affiliates and subsidiaries of the NAIC; and

(3) state, federal, and international law enforcement authorities;

if the recipient agrees to maintain the confidential and privileged status of the documents, materials, and other information.

(e) The commissioner:

(1) may receive documents, materials, and other information, including confidential and privileged documents, materials, and information, from:

(A) other state, federal, and international regulatory agencies;

(B) the NAIC and affiliates and subsidiaries of the NAIC; and

(C) other state, federal, and international law enforcement authorities;

(2) shall maintain as confidential or privileged all documents, materials, and other information received with notice or the understanding that the documents, materials, and information are confidential or privileged under the law of the jurisdiction that is the source of the documents, materials, and information; and

(3) may enter into agreements governing sharing and use of information consistent with subsections (b) through (d).

(f) Any applicable privilege or claim of confidentiality in documents, materials, or information described in this section is not waived as a result of the disclosure or receipt of the documents, materials, or information by the commissioner as authorized by this section.

(g) A supporting memorandum described in section 21 of this chapter and other material provided by the company to the commissioner in connection with the supporting memorandum may:

(1) be subject to subpoena to defend an action seeking damages from the actuary who submitted the supporting memorandum under section 21 of this chapter; and

(2) be released by the commissioner:

(A) with the written consent of the company; or
(B) to the American Academy of Actuaries in response to a written request that:
(i) states that the memorandum or other material is required for the purpose of professional disciplinary proceedings; and
(ii) sets forth procedures satisfactory to the commissioner for preserving the confidentiality of the supporting memorandum or other material.

(h) If any part of a supporting memorandum described in section 21 of this chapter is:
(1) cited by the company in the company's marketing;
(2) cited before a governmental agency other than a state insurance department; or
(3) released by the company to the news media;
all parts of the supporting memorandum are no longer confidential.

(i) The commissioner shall adopt rules under IC 4-22-2 containing the minimum standards for the valuation of accident and sickness insurance contracts.

Sec. 23. (a) This section applies on and after the operative date of the valuation manual.

(b) A company with outstanding life insurance contracts, accident and sickness insurance contracts, or deposit-type contracts in Indiana that is subject to regulation by the commissioner shall:
(1) annually submit the opinion of the appointed actuary concerning whether the reserves and related actuarial items held in support of the contracts:
(A) are computed appropriately;
(B) are based on assumptions that satisfy contractual provisions;
(C) are consistent with previously reported amounts; and
(D) comply with applicable Indiana law;
according to the specific requirements prescribed by the valuation manual; and
(2) except as exempted in the valuation manual, annually submit the opinion of the appointed actuary concerning whether the reserves and related actuarial items held in support of the contracts specified in the valuation manual, when considered with the assets held by the company with respect to the reserves and related actuarial items including

the:

(A) investment earnings on the assets; and

(B) considerations anticipated to be received and retained under the contracts;

make adequate provision for the company's obligations, including benefits under, expenses associated with, and any other obligations under the contracts.

(c) The following requirements apply to an opinion required by subsection (b)(2):

(1) A memorandum, in form and substance as specified in the valuation manual and acceptable to the commissioner, must be prepared to support each actuarial opinion.

(2) If:

(A) the company fails to provide a supporting memorandum at the request of the commissioner within a period specified in the valuation manual; or

(B) the commissioner determines that the supporting memorandum provided by the 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) The following requirements apply to an opinion prepared under subsection (b)(1) or (b)(2):

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

(2) The opinion must be submitted with the annual statement reflecting the valuation of the reserves for each year ending on or after the operative date of the valuation manual.

(3) The opinion must apply to all contracts subject to subsection (b)(2) plus other actuarial liabilities specified in the valuation manual.

(4) The opinion must be based on:

(A) standards adopted by the Actuarial Standards Board or a successor to the Actuarial Standards Board; and

(B) additional standards prescribed in the valuation manual.

(5) In the case of an opinion required to be submitted by a foreign or alien company, the commissioner may accept the opinion filed by the 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 Indiana.

(6) Except in cases of fraud or willful misconduct, the appointed actuary is not liable for damages to a person other than the company and the commissioner for any act, error, omission, decision, or conduct with respect to the appointed actuary's opinion.

(7) Disciplinary action by the commissioner against the company or the appointed actuary must be defined in rules adopted by the commissioner under IC 4-22-2.

Sec. 24. (a) Except as provided in sections 25, 26, and 33 of this chapter, the minimum standard for the valuation of contracts issued before the operative date of the valuation manual specified in section 34 of this chapter and on or after the transition date selected by the company under IC 27-1-12-12, the transition date in no event to be later than January 1, 1948, is:

(1) the commissioners reserve valuation methods described in sections 27, 28, 31, and 33 of this chapter;

(2) three and one-half percent (3 1/2%) interest; or

(3) in the case of life insurance contracts (other than annuity and pure endowment contracts) issued after August 31, 1973:

(A) four percent (4%) interest for contracts issued before September 1, 1979;

(B) five and one-half percent (5 1/2%) interest for single premium life insurance contracts; and

(C) four and one-half percent (4 1/2%) interest for all other contracts issued after August 31, 1979.

(b) In addition to the minimum standards specified in subsection (a), the following tables apply:

(1) For ordinary contracts of life insurance issued on the standard basis, excluding disability and accidental death benefits in the contracts:

(A) the Commissioners 1941 Standard Ordinary Mortality Table for contracts issued before the operative date of the fifth paragraph of IC 27-1-12-7(d);

(B) for any category of contracts issued:

(i) on male risks; and

(ii) on or after the operative date of the fifth paragraph of IC 27-1-12-7(d) and before the operative date of IC 27-1-12-7(dd);

the Commissioners 1958 Standard Ordinary Mortality

Table;
(C) for any category of contracts issued:
(i) on female risks; and
(ii) on or after the operative date of the fifth paragraph of IC 27-1-12-7(d) and before the operative date of IC 27-1-12-7(dd);
the Commissioners 1958 Standard Ordinary Mortality Table with all modified net premiums and present values referred to in sections 19 through 40 of this chapter calculated according to an age not more than six (6) years younger than the actual age of the insured; and
(D) for contracts issued on or after the operative date of IC 27-1-12-7(dd):
(i) the Commissioners 1980 Standard Ordinary Mortality Table;
(ii) at the election of the company for one (1) or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors; or
(iii) an ordinary mortality table, adopted after 1980 by the NAIC, which is approved by rule adopted by the department under IC 4-22-2 for use in determining the minimum standard of valuation for the contracts.
(2) For industrial life insurance contracts issued on the standard basis, excluding disability and accidental death benefits in the contracts:
(A) the 1941 Standard Industrial Mortality Table for contracts bearing a date of issue before the operative date of the seventh paragraph of IC 27-1-12-7(d); and
(B) for contracts bearing a date of issue that is the same as or later than the operative date described in clause (A), the Commissioners 1961 Standard Industrial Mortality Table or an industrial mortality table adopted after 1980 by the NAIC that is approved by rule adopted by the department under IC 4-22-2 for use in determining the minimum standard of valuation for the contracts.
(3) For individual annuity and pure endowment contracts, excluding disability and accidental death benefits in the contracts:
(A) the 1937 Standard Annuity Mortality Table; or
(B) at the option of the company, the Annuity Mortality Table for 1949, Ultimate; or

(C) a modification of a table specified in clause (A) or (B) that is approved by the commissioner.

(4) For group annuity and pure endowment contracts, excluding disability and accidental death benefits in the contracts:

(A) the Group Annuity Mortality Table for 1951;

(B) a modification of the table approved by the commissioner; or

(C) 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 contracts:

(A) for contracts issued after December 31, 1965, 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 tables of disablement rates and termination rates adopted after 1980 by the NAIC, that are approved by rule adopted by the department under IC 4-22-2 for use in determining the minimum standard of valuation for those contracts;

(B) for contracts issued after December 31, 1960, and before January 1, 1966:

(i) the tables described in clause (A); or

(ii) at the option of the company, the Class (3) Disability Table (1926); and

(C) for contracts issued before January 1, 1961, the Class (3) Disability Table (1926).

Any table described in this subdivision must, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance contracts.

(6) For accidental death benefits in or supplementary to contracts issued after December 31, 1965:

(A) the 1959 Accidental Death Benefits Table or any accidental death benefits table adopted after 1980 by the NAIC that is approved by rule adopted by the commissioner under IC 4-22-2 for use in determining the minimum standard of valuation for the contracts;

(B) for contracts issued after December 31, 1960, and before January 1, 1966:

(i) the table described in clause (A); or

(ii) at the option of the company, the Inter-Company Double Indemnity Mortality Table; and

(C) for contracts issued before January 1, 1961, the Inter-Company Double Indemnity Mortality Table.

A table described in this subdivision must be combined with a mortality table for calculating the reserves for life insurance contracts.

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

Sec. 25. (a) Except as provided in section 26 of this chapter, the minimum standard of valuation for individual annuity and pure endowment contracts issued on or after the operative date of this section, and for annuities and pure endowments purchased on or after the operative date of this section under group annuity and pure endowment contracts, and before the operative date of the valuation manual specified in section 34 of this chapter, is the commissioners reserve valuation methods defined in sections 27 and 28 of this chapter and the following tables and interest rates:

(1) For individual annuity and pure endowment contracts issued before September 1, 1979, excluding disability and accidental death benefits in the contracts, both of the following:

(A) Either of the following:

(i) The 1971 Individual Annuity Mortality Table.

(ii) A modification of the table that is approved by the commissioner.

(B) Either of the following:

(i) Six percent (6%) interest for single premium immediate annuity contracts.

(ii) Four percent (4%) interest for all other individual annuity and pure endowment contracts.

(2) For individual single premium immediate annuity contracts issued after August 31, 1979, excluding disability and accidental death benefits in the contracts, both of the following:

(A) One (1) of the following:

(i) The 1971 Individual Annuity Mortality Table.

(ii) An individual annuity mortality table adopted after 1980 by the NAIC that is approved by rule adopted by the commissioner under IC 4-22-2 for use in determining the minimum standard of valuation for the contracts.

(iii) A modification of a table described in item (i) or (ii) that is approved by the commissioner.
(B) Seven and one-half percent (7 1/2%) interest.
(3) For individual annuity and pure endowment contracts issued after August 31, 1979, other than single premium immediate annuity contracts, excluding disability and accidental death benefits in the contracts, both of the following:
(A) One (1) of the following:
(i) The 1971 Individual Annuity Mortality Table.
(ii) An individual annuity mortality table adopted after 1980 by the NAIC that is approved by rule adopted by the commissioner under IC 4-22-2 for use in determining the minimum standard of valuation for the contracts.
(iii) A modification of a table described in item (i) or (ii) that is approved by the commissioner.
(B) Either of the following:
(i) Five and one-half percent (5 1/2%) interest for single premium deferred annuity and pure endowment contracts.
(ii) Four and one-half percent (4 1/2%) interest for all other individual annuity and pure endowment contracts.
(4) For annuities and pure endowments purchased before September 1, 1979, under group annuity and pure endowment contracts, excluding disability and accidental death benefits purchased under the contracts, both of the following:
(A) Either of the following:
(i) The 1971 Group Annuity Mortality Table.
(ii) A modification of the table that is approved by the commissioner.
(B) Six percent (6%) interest.
(5) For annuities and pure endowments purchased after August 31, 1979, under group annuity and pure endowment contracts, excluding disability and accidental death benefits purchased under the contracts, both of the following:
(A) One (1) of the following:
(i) The 1971 Group Annuity Mortality Table.
(ii) A group annuity mortality table adopted after 1980 by the NAIC that is approved by rule adopted by the commissioner under IC 4-22-2 for use in determining the minimum standard of valuation for annuities and pure endowments.

(iii) A modification of a table described in item (i) or (ii) that is approved by the commissioner.

(B) Seven and one-half percent (7 1/2%) interest.

(b) After September 1, 1973, a company may file with the commissioner a written notice of the company's election to comply with this section after a specified date before January 1, 1979, which is the operative date of this section for the company. If a company makes no election, the operative date of this section for the company is January 1, 1979.

Sec. 26. (a) The interest rates used in determining the minimum standard for the valuation of the following are the calendar year statutory valuation interest rates described in this section:

(1) Life insurance contracts issued in a particular calendar year, on or after the operative date of IC 27-1-12-7(dd).

(2) Individual annuity and pure endowment contracts issued in a particular calendar year after December 31, 1981.

(3) Annuities and pure endowments purchased in a particular calendar year after December 31, 1981, under group annuity and pure endowment contracts.

(4) A net increase in a particular calendar year after January 1, 1982, in amounts held under guaranteed interest contracts.

(b) Except as provided in subsection (c), the calendar year statutory valuation interest rate, I, is determined as follows, and the results must be rounded to the nearest one-quarter of one percent (1/4 of 1%):

(1) For life insurance,

$$I = .03 + W(R1 - .03) + W/2(R2 - .09)$$

(2) 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 specified in this section, and

W is the weighting factor specified in this section.

(3) For:

(A) other annuities; and

(B) guaranteed interest contracts;

with cash settlement options, valued on an issue year basis, except as provided in subdivision (2), the formula for life insurance specified in subdivision (1) applies to annuities and guaranteed interest contracts with guarantee durations in excess of ten (10) years and the formula for single premium immediate annuities described in subdivision (2) applies to annuities and guaranteed interest contracts with guarantee duration of ten (10) years or less.

(4) For:

(A) other annuities; and

(B) guaranteed interest contracts;

with no cash settlement options, the formula for single premium immediate annuities specified in subdivision (2).

(5) For:

(A) other annuities; and

(B) guaranteed interest contracts;

with cash settlement options, valued on a change in fund basis, the formula for single premium immediate annuities specified in subdivision (2).

(c) If the calendar year statutory valuation interest rate for a life insurance contract issued in a calendar year determined without reference to this subsection differs from the corresponding actual rate for similar contracts issued in the immediately preceding calendar year by less than one-half of one percent (1/2 of 1%), the calendar year statutory valuation interest rate for the life insurance contract is equal to the corresponding actual rate for the immediately preceding calendar year. For purposes of this subsection, the calendar year statutory valuation interest rate for life insurance contracts issued in a calendar year is determined for 1980 (using the reference interest rate defined in 1979) and must be determined for each subsequent calendar year regardless of when IC 27-1-12-7(dd) becomes operative.

(d) The weighting factors referred to in the formulas specified in subsection (b) are as follows:

(1) Weighting factors for life insurance:

Guarantee Duration (Years)	Weighting Factors
10 or less	.50
More than 10, but not more than 20	.45
More than 20	.35

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 contract or under options to convert to life insurance contracts with premium rates, nonforfeiture values, or both that are guaranteed in the original contract.

(2) Weighting factor for single premium immediate annuities and for annuity benefits involving life contingencies arising from:

(A) other annuities; and

(B) guaranteed interest contracts with cash settlement options:

.80

(3) Weighting factors for other annuities and for guaranteed interest contracts are as specified in clauses (A) through (C), according to the requirements of clauses (D) and (E), as follows:

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

Guarantee Duration (Years)	Weighting Factor 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

(B) For annuities and guaranteed interest contracts valued on a change in fund basis, the weighting factors specified in clause (A), increased by:

Plan Type A	B	C
.15	.25	.05

(C) For annuities and guaranteed interest contracts valued on:

(i) an issue year basis (other than annuities and guaranteed interest contracts with no cash settlement options) that do not guarantee interest on considerations received more than one (1) year after the issue or purchase date; or

(ii) a change in fund basis that do not guarantee interest rates on considerations received more than twelve (12) months after the valuation date;

the weighting factors specified in clause (A) or derived in clause (B), increased by:

Plan Type

A	B	C
.05	.05	.05

(D) For other annuities and guaranteed interest contracts:

(i) 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 contracts with guarantee duration in excess of twenty (20) years; and

(ii) with no cash settlement options, the guaranteed duration is the number of years from the date of issue or purchase to the date annuity benefits are scheduled to begin.

(E) A company may elect to value:

(i) annuities; and

(ii) guaranteed interest contracts;

with cash settlement options on either an issue year basis or on a change in fund basis. Other annuities and guaranteed interest contracts with no cash settlement options must be valued on an issue year basis.

(e) The reference interest rate referred to in subsection (b) is as follows:

(1) For life insurance, the lesser of:

(A) the average, over a period of thirty-six (36) months; or

(B) the average, over a period of twelve (12) months;

ending on June 30 of the calendar year preceding the year of issue, of the monthly average of the composite yield on seasoned corporate bonds published by Moody's Investors Service, Inc.

(2) For single premium immediate annuities and for annuity benefits involving life contingencies arising from:

(A) other annuities; and

(B) guaranteed interest contracts;

with cash settlement options, the average, over a period of twelve (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 published by Moody's Investors Service, Inc.

(3) For:

(A) other annuities; and

(B) guaranteed interest contracts;

with cash settlement options valued on a year of issue basis, except as provided in subdivision (2), with guarantee duration

in excess of ten (10) years, the lesser of the average over a period of thirty-six (36) months or the average over a period of twelve (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 published by Moody's Investors Service, Inc.

(4) For:

(A) other annuities; and

(B) guaranteed interest contracts;

with cash settlement options valued on a year of issue basis, except as provided in subdivision (2), with guarantee duration of ten (10) years or less, the average, over a period of twelve (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 published by Moody's Investors Service, Inc.

(5) For:

(A) other annuities; and

(B) guaranteed interest contracts;

with no cash settlement options, the average, over a period of twelve (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 published by Moody's Investors Service, Inc.

(6) For:

(A) other annuities; and

(B) guaranteed interest contracts;

with cash settlement options valued on a change in fund basis, except as provided in subdivision (2), the average, over a period of twelve (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 published by Moody's Investors Service, Inc.

(f) If:

(1) the monthly average of the composite yield on seasoned corporate bonds is no longer published by Moody's Investors Service, Inc.; or

(2) the NAIC determines that the monthly average of the composite yield on seasoned corporate bonds published by Moody's Investors Service, Inc., is no longer appropriate for the determination of the reference interest rate;

an alternative method for determination of the reference interest

rate that is adopted by the NAIC and approved under rules adopted by the commissioner under IC 4-22-2 may be substituted.

Sec. 27. (a) Except as provided in sections 28, 31, and 33 of this chapter, reserves according to the commissioners reserve valuation method for the life insurance and endowment benefits of a contract providing for a uniform amount of insurance and requiring the payment of uniform premiums is the excess, if any, of the present value (on the date of valuation) of the future guaranteed benefits provided for by the contract over the then present value of any future modified net premiums for the contract.

(b) The modified net premiums for a contract described in subsection (a) are the uniform percentage of the respective contract premiums for the benefits such that the present value (on the date of issue of the contract) of all modified net premiums is equal to the sum of the then present value of the benefits provided for by the contract plus the excess of subdivision (1) over subdivision (2), as follows:

(1) A net level annual premium equal to the present value (on the date of issue) of the benefits provided for after the first contract year, divided by the present value (at the date of issue) of an annuity of one (1) per annum payable on the first and each subsequent anniversary of the contract on which a premium falls due. However, the net level annual premium must not exceed the net level annual premium on the nineteen (19) year premium whole life plan for insurance of the same amount at an insured age one (1) year greater than the age of the insured on the date of issue of the contract.

(2) A net one (1) year term premium for the benefits provided for in the first contract year.

(c) For a life insurance contract issued on or after January 1, 1985:

(1) for which:

(A) the contract premium in the first contract year exceeds the contract premium in the second contract year; and

(B) no comparable additional benefit is provided in the first contract year for the excess; and

(2) that provides an endowment benefit, a cash surrender value, or a combination, in an amount greater than the excess premium;

the reserve according to the commissioners reserve valuation method on a contract anniversary that occurs on or before the assumed ending date (defined to be the first contract anniversary

on which the sum of any endowment benefit and any cash surrender value then available is greater than the excess premium) is, except as provided in section 31 of this chapter, the reserve determined under subsection (d).

(d) For purposes of subsection (c), the reserve is the greater of:

(1) the reserve on the contract anniversary calculated under subsections (a) and (b); or

(2) the reserve as of the contract anniversary calculated under subsections (a) and (b) with:

(A) the value described in subsection (b)(1) reduced by fifteen percent (15%) of the amount of the excess first year premium;

(B) all present values of benefits and premiums determined without reference to premiums or benefits provided for by the contract after the assumed ending date;

(C) the contract assumed to mature on the assumed ending date as an endowment; and

(D) the cash surrender value provided on the assumed ending date considered as an endowment benefit.

In making the comparison described in this subsection, the mortality and interest bases specified in sections 24 and 26 of this chapter must be used.

(e) Reserves according to the commissioners reserve valuation method must be calculated by a method consistent with the principles of this section for the following:

(1) A life insurance contract that provides for a varying amount of insurance or requires the payment of varying premiums.

(2) A group annuity or a pure endowment contract that is purchased under a retirement plan or plan of deferred compensation that is established or maintained by:

(A) an employer (including a partnership or sole proprietorship);

(B) an employee organization; or

(C) both;

other than a plan that provides individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code.

(3) Disability and accidental death benefits provided in any contract.

(4) All other benefits, except life insurance and endowment benefits in a life insurance contract and benefits provided by

any other annuity or pure endowment contract.

Sec. 28. (a) This section applies to an annuity or a pure endowment contract other than a group annuity or pure endowment contract that is purchased under a retirement plan or plan of deferred compensation that is established or maintained by:

(1) an employer (including a partnership or sole proprietorship);

(2) an employee organization; or

(3) both;

other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code.

(b) Reserves according to the commissioners annuity reserve method for benefits under an annuity or a pure endowment contract, excluding disability and accidental death benefits in a contract, is the greatest of the respective excesses of:

(1) the present value (on the date of valuation) of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by the contract at the end of each respective contract year; over

(2) the present value (on the date of valuation) of any future valuation considerations derived from future gross considerations required by the terms of the contract, that become payable before the end of the respective contract year.

The future guaranteed benefits must be determined by using any mortality table, if applicable, and the interest rate or rates specified in the contracts for determining guaranteed benefits. The valuation considerations are the portion of the respective gross considerations applied under the terms of a contract to determine the nonforfeiture value.

Sec. 29. (a) A company's aggregate reserves for all contracts, excluding disability and accidental death benefits, issued on or after the transition date selected by the company under IC 27-1-12-12, the transition date in no event to be later than January 1, 1948, must not be less than the aggregate reserves calculated in accordance with sections 27, 28, 31, and 32 of this chapter and the mortality tables and rates of interest used in calculating nonforfeiture benefits for the contracts.

(b) The aggregate reserves for all contracts and benefits must not be less than the aggregate reserves determined by the appointed actuary to be necessary to render an opinion required

by section 21 or 23 of this chapter.

Sec. 30. (a) Reserves for contracts issued before the transition date selected by a company under IC 27-1-12-12, the transition date in no event to be later than January 1, 1948, may be calculated (at the option of the company) according to any standards that produce greater aggregate reserves for all of the contracts than the minimum reserves required by the laws in effect immediately before the transition date.

(b) Reserves for a category, established by the commissioner, of contracts or benefits issued on or after the transition date selected by a company under IC 27-1-12-12, the transition date in no event to be later than January 1, 1948, may be calculated (at the option of the company) according to any standards that produce greater aggregate reserves for the category than the aggregate reserves calculated according to the minimum standard under this chapter. However, the rates of interest used for contracts other than annuity and pure endowment contracts must not be greater than the corresponding rate of interest used in calculating nonforfeiture benefits provided in the contracts.

(c) A company that adopts a standard of valuation that produces greater aggregate reserves than the aggregate reserves calculated under sections 19 through 40 of this chapter may adopt a lower standard of valuation with the approval of the commissioner. However, the lower standard of valuation must not be lower than the minimum standard provided under this chapter. For purposes of this subsection, the holding of additional reserves previously determined by the appointed actuary to be necessary to render an opinion required by section 21 or 23 of this chapter is not the adoption of a higher standard of valuation.

Sec. 31. (a) If in any contract year the gross premium charged by a company on a contract is less than the valuation net premium for the contract calculated by the method used in calculating the reserve, but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for the contract is the greater of:

(1) the reserve calculated according to the mortality table, rate of interest, and method actually used for the contract; or

(2) the reserve calculated by the method actually used for the contract, but using the minimum valuation standards of mortality and rate of interest and replacing the valuation net premium with the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross

premium.

(b) The minimum valuation standards of mortality and rate of interest referred to in this section are the standards specified in sections 24 and 26 of this chapter.

(c) For a life insurance contract issued on or after January 1, 1985:

(1) for which:

(A) the gross premium in the first contract year exceeds the gross premium in the second contract year; and

(B) no comparable additional benefit is provided in the first contract year for the excess; and

(2) that provides an endowment benefit, a cash surrender value, or a combination, in an amount greater than the excess premium;

this section applies as if the method actually used in calculating the reserve for the contract were the method described in section 27(a), 27(b), and 27(d) of this chapter. The minimum reserve on each contract anniversary of a contract described in this subsection is the greater of the minimum reserve calculated in accordance with section 27 of this chapter and the minimum reserve calculated under this section.

Sec. 32. In the case of:

(1) a plan of life insurance that provides for future premium determination, the amounts of which are to be determined by the company based on estimates of future experience; or

(2) a contract of life insurance or annuity that is of such a nature that the minimum reserves cannot be determined by the methods described in sections 27, 28, and 31 of this chapter;

the reserves that are held under the contract must be appropriate in relation to the benefits and pattern of premiums for the contract and computed by a method that is consistent with the principles of this chapter, as determined under rules adopted by the commissioner under IC 4-22-2.

Sec. 33. The following apply to accident and sickness insurance contracts:

(1) For accident and sickness insurance contracts issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual is the minimum standard of valuation required under section 20 of this chapter.

(2) For accident and sickness insurance contracts issued before the operative date of the valuation manual, the

minimum standard of valuation is the standard adopted by the commissioner in rules adopted under IC 4-22-2.

Sec. 34. (a) Except as provided in subsections (e) and (g), for contracts issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual is the minimum standard of valuation required under section 20 of this chapter.

(b) 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:

(1) The valuation manual has been adopted by the NAIC by an affirmative vote of at least forty-two (42) members, or three-fourths (3/4) of the members voting, whichever is greater.

(2) The "Standard Valuation Law" of the NAIC, as amended by the NAIC in 2009, or legislation including substantially similar terms and provisions, has been enacted by states representing greater than seventy-five percent (75%) of the direct premiums written as reported in the following annual statements submitted for 2008:

(A) Life, accident, and health annual statements.

(B) Health annual statements.

(C) Fraternal annual statements.

(3) The "Standard Valuation Law" of the NAIC, as amended by the NAIC in 2009, or legislation including substantially similar terms and provisions, has been enacted by at least forty-two (42) of the following fifty-five (55) jurisdictions:

(A) The fifty (50) states of the United States.

(B) American Samoa.

(C) The American Virgin Islands.

(D) The District of Columbia.

(E) Guam.

(F) Puerto Rico.

(c) Unless a change in the valuation manual specifies a later effective date, changes to the valuation manual are effective on the January 1 following the date when the change to the valuation manual has been adopted by the NAIC by an affirmative vote representing:

(1) at least three-fourths (3/4) of the members of the NAIC voting, but not less than a majority of the total membership; and

(2) members of the NAIC representing jurisdictions totaling

greater than seventy-five percent (75%) of the direct premiums written, as reported in the following annual statements most recently available before the vote:

(A) Life, accident, and health annual statements.

(B) Health annual statements.

(C) Fraternal annual statements.

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

(1) Minimum valuation standards for contracts that are subject to section 20 of this chapter are the following:

(A) The commissioners reserve valuation method for life insurance contracts, other than annuity contracts.

(B) The commissioners annuity reserve valuation method for annuity contracts.

(C) Minimum reserves for all other contracts.

(2) The contracts or types of contracts that are subject to the requirements of a principle based valuation under section 35 of this chapter and the minimum valuation standards consistent with the requirements.

(3) For contracts that are subject to a principle based valuation under section 35 of this chapter, the following:

(A) Requirements for:

(i) the format of the reports to the commissioner under section 35(c)(3) of this chapter; and

(ii) which certifications described in item (i) must include information necessary to determine whether the valuation is appropriate and in compliance with sections 19 through 40 of this chapter.

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

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

(4) For contracts that are not subject to a principle-based valuation under section 35 of this chapter, the minimum valuation standard must:

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

(B) develop reserves that quantify:

(i) the benefits, guarantees, and funding associated with the contracts; and

(ii) the contracts' risks at a level of conservatism that reflects conditions that include unfavorable events that

have a reasonable probability of occurring.

(5) Other requirements, including requirements relating to:

(A) Reserve methods.

(B) Models for measuring risk.

(C) Generation of economic scenarios.

(D) Assumptions.

(E) Margins.

(F) Use of company experience.

(G) Risk measurement.

(H) Disclosure.

(I) Certifications.

(J) Reports.

(K) Actuarial opinions and memorandums.

(L) Transition rules.

(M) Internal controls.

(6) The data and form of the data required under section 36 of this chapter, including:

(A) the person to whom the data must be submitted;

(B) data analyses; and

(C) reporting of analyses.

(e) If:

(1) there is no specific valuation requirement; or

(2) a specific valuation requirement in the valuation manual is not, in the opinion of the commissioner, in compliance with sections 19 through 40 of this chapter;

a company shall, with respect to the specific valuation requirements, comply with minimum valuation standards prescribed by the commissioner in rules adopted under IC 4-22-2.

(f) The commissioner may employ or contract with a qualified actuary, at the expense of a company, to:

(1) perform an actuarial examination of the company and provide an opinion concerning the appropriateness of any reserve assumption or method used by the company; or

(2) review and provide an opinion concerning the company's compliance with a requirement of this chapter. The commissioner may rely upon an opinion of a qualified actuary engaged by the commissioner of another state, district, or territory of the United States concerning sections 19 through 40 of this chapter.

(g) The commissioner may:

(1) require a company to change an assumption or method that in the opinion of the commissioner is necessary to comply

with the requirements of the valuation manual or sections 19 through 40 of this chapter; and

(2) take other disciplinary action allowed by law.

A company described in subdivision (1) shall adjust reserves as required by the commissioner.

Sec. 35. (a) This section applies on and after the operative date of the valuation manual specified in section 34 of this chapter.

(b) A company shall, using a principle based valuation, establish reserves that meet the following conditions for contracts, as specified in the valuation manual:

(1) The reserves quantify the benefits, guarantees, and funding associated with the contracts and the contracts' risks at a level of conservatism that:

(A) reflects conditions that include unfavorable events that have a reasonable probability of occurring during the lifetime of the contracts; and

(B) for polices or contracts with significant tail risk, reflects conditions appropriately adverse to quantify the tail risk.

(2) The reserves incorporate assumptions, risk analysis methods, and financial models and management techniques that are consistent with the assumptions, risk analysis methods, and financial models and management techniques used within the company's overall risk assessment process, while recognizing potential differences in financial reporting structures and prescribed assumptions or methods.

(3) The reserves incorporate assumptions that are derived in one (1) of the following manners:

(A) The assumption is prescribed in the valuation manual.

(B) For an assumption that is not prescribed in the valuation manual, the assumption must:

(i) be established using the company's available experience to the extent the experience is relevant and statistically credible; or

(ii) to the extent that company data is not available, relevant, or statistically credible, be established using other relevant, statistically credible experience.

(4) The reserves provide margins for uncertainty, including adverse deviation and estimation error, such that the greater the uncertainty, the larger the margin and resulting reserve.

(c) A company using a principle based valuation for at least one (1) contract that is subject to this section, as specified in the

valuation manual, shall do the following:

(1) Establish procedures for corporate governance and oversight of the actuarial valuation function consistent with the procedures described in the valuation manual.

(2) Provide to the commissioner and the board of directors an annual certification of the effectiveness of the internal controls with respect to the principle based valuation. The internal controls must be designed to assure that:

(A) all material risks inherent in the liabilities and associated assets that are subject to the valuation are included in the valuation; and

(B) valuations are made in accordance with the valuation manual.

The certification must be based on the controls in place as of the end of the preceding calendar year.

(3) Develop, and file with the commissioner upon request, a principle based valuation report that complies with standards prescribed in the valuation manual.

(d) A principle based valuation may include a prescribed formulaic reserve component.

Sec. 36. On and after the operative date of the valuation manual specified in section 34 of this chapter, a company shall submit mortality, morbidity, contractholder behavior, or expense experience and other data as prescribed in the valuation manual.

Sec. 37. (a) Except as provided in this section and section 38 of this chapter, a company's confidential information is:

(1) confidential by law and privileged;

(2) not subject to subpoena; and

(3) not subject to discovery or admissible in evidence in a private civil action.

However, the commissioner may use confidential information in the furtherance of a regulatory or legal action brought against the company as a part of the commissioner's duties.

(b) The commissioner, or a person receiving confidential information while acting under the authority of the commissioner, is not permitted or required to testify in a private civil action concerning confidential information.

(c) The commissioner may disclose confidential information to:

(1) other state, federal, and international regulatory agencies;

(2) the NAIC and affiliates and subsidiaries of the NAIC;

(3) only in the case of confidential information specified in section 5(1) and 5(4) of this chapter, the Actuarial Board for

Counseling and Discipline or the successor to the Actuarial Board for Counseling and Discipline upon request stating that the confidential information is required for professional disciplinary proceedings; and

(4) state, federal, and international law enforcement authorities;

if the recipient agrees, and has the legal authority to agree, to maintain the confidential and privileged status of the confidential information in the same manner and to the same extent as required for the commissioner.

(d) The commissioner:

(1) may receive confidential information, including privileged confidential information, from:

(A) other state, federal, and international regulatory agencies;

(B) the NAIC and affiliates and subsidiaries of the NAIC;

(C) the Actuarial Board for Counseling and Discipline or the successor to the Actuarial Board for Counseling and Discipline; and

(D) other state, federal, and international law enforcement authorities; and

(2) shall maintain as confidential or privileged all confidential information received with notice or the understanding that the confidential information is confidential or privileged under the law of the jurisdiction that is the source of the confidential information.

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

(f) Any applicable privilege or claim of confidentiality in confidential information described in this section is not waived as a result of the disclosure or receipt of the confidential information by the commissioner under this section.

(g) A privilege established under the law of any state or jurisdiction that is substantially similar to the privilege established under this section is available and must be enforced in a proceeding in and by any court of this state.

(h) For purposes of this section, "regulatory agency", "law enforcement agency", and "NAIC" include employees, agents, consultants, and contractors of a regulatory agency, law enforcement agency, and NAIC.

Sec. 38. The following apply to confidential information specified in section 5(1) and 5(4) of this chapter:

(1) The confidential information may be subject to subpoena to defend an action seeking damages from the appointed actuary submitting the supporting memorandum submitted under sections 21 through 23 of this chapter or principle based valuation report developed under section 35(c)(3) of this chapter due to a requirement of this chapter.

(2) The confidential information may be released by the commissioner with the written consent of the company.

(3) If a part of a supporting memorandum submitted under sections 21 through 23 of this chapter or a principle based valuation report developed under section 35(c)(3) of this chapter is:

(A) cited by a company in the company's marketing;

(B) publicly volunteered to or before a governmental agency other than a state insurance department; or

(C) released by the company to the news media;

all parts of the supporting memorandum or report are not confidential.

Sec. 39. (a) The commissioner may exempt specific product forms or product lines of a domestic company that is licensed and doing business only in Indiana from the requirements of section 34 of this chapter if:

(1) the commissioner has issued an exemption in writing to the company and has not subsequently revoked the exemption in writing; and

(2) the company computes reserves using assumptions and methods used before the operative date of the valuation manual in addition to requirements established by the commissioner in rules adopted under IC 4-22-2.

(b) With respect to a company granted an exemption under this section, sections 21 through 33 of this chapter apply. With respect to a company applying the exemption under this section, a reference to section 34 of this chapter in sections 21 through 33 of this chapter does not apply.

Sec. 40. (a) If a provision of law is inconsistent with this chapter, this chapter prevails.

(b) Except as otherwise provided in this chapter, this chapter applies to valuations performed after June 30, 2013.

(c) Except as otherwise provided in this chapter, IC 27-1-12-9 and IC 27-1-12-10 (before their repeal) apply to valuations performed before July 1, 2013.

SECTION 11. IC 27-1-13-7.5 IS ADDED TO THE INDIANA

CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 7.5. (a) As used in this section, "motor vehicle insurance" means any type of insurance described in IC 27-1-5-1, Class 2(f).**

(b) As used in this section, "newly acquired motor vehicle" means one (1) of the following types of vehicles of which an individual who is insured under a personal lines motor vehicle insurance policy becomes the owner during the policy period:

(1) A private passenger motor vehicle.

(2) A pickup truck or van for which no other insurance policy provides coverage.

(c) If the insured notifies the insurer of the newly acquired motor vehicle within the periods specified in subdivisions (1) and (2), an insurer that issues a motor vehicle insurance policy shall provide at least:

(1) fourteen (14) days of liability coverage; and

(2) if the motor vehicle insurance policy provides physical damage coverage, four (4) days of physical damage coverage that is subject to a deductible of not more than five hundred dollars ($500);

for a newly acquired motor vehicle under the motor vehicle insurance policy, effective on the date the insured becomes the owner.

SECTION 12. IC 27-1-15.6-2, AS AMENDED BY P.L.11-2011, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 2. The following definitions apply throughout this chapter, IC 27-1-15.7, and IC 27-1-15.8:

(1) "Bureau" refers to the child support bureau established by IC 31-25-3-1.

(2) "Business entity" means a corporation, an association, a partnership, a limited liability company, a limited liability partnership, or another legal entity.

(3) "Commissioner" means the insurance commissioner appointed under IC 27-1-1-2.

(4) "Consultant" means a person who:

(A) holds himself or herself out to the public as being engaged in the business of offering; or

(B) for a fee, offers;

any advice, counsel, opinion, or service with respect to the benefits, advantages, or disadvantages promised under any policy of insurance that could be issued in Indiana.

(5) "Delinquent" means the condition of being at least:

(A) two thousand dollars ($2,000); or
(B) three (3) months;

past due in the payment of court ordered child support.

(6) "FINRA" refers to the independent Financial Industry Regulatory Authority.

(7) "Home state" means the District of Columbia or any state or territory of the United States in which an insurance producer:

(A) maintains the insurance producer's principal place of residence or principal place of business; and
(B) is licensed to act as an insurance producer.

(8) "Insurance producer" means a person required to be licensed under the laws of Indiana to sell, solicit, or negotiate insurance.

(9) "License" means a document issued by the commissioner authorizing a person to act as an insurance producer for the lines of authority specified in the document. The license itself does not create any authority, actual, apparent, or inherent, in the holder to represent or commit an insurance carrier.

(10) "Limited line credit insurance" includes the following:

(A) Credit life insurance.
(B) Credit disability insurance.
(C) Credit property insurance.
(D) Credit unemployment insurance.
(E) Involuntary unemployment insurance.
(F) Mortgage life insurance.
(G) Mortgage guaranty insurance.
(H) Mortgage disability insurance.
(I) Guaranteed automobile protection (gap) insurance.
(J) Any other form of insurance:
(i) that is offered in connection with an extension of credit and is limited to partially or wholly extinguishing that credit obligation; and
(ii) that the insurance commissioner determines should be designated a form of limited line credit insurance.

(11) "Limited line credit insurance producer" means a person who sells, solicits, or negotiates one (1) or more forms of limited line credit insurance coverage to individuals through a master, corporate, group, or individual policy.

(12) "Limited lines insurance" means any of the following:

(A) The lines of insurance defined in section 18 of this chapter.
(B) Any line of insurance the recognition of which is considered necessary by the commissioner for the purpose of

complying with section 8(e) of this chapter.

(C) For purposes of section 8(e) of this chapter, any form of insurance with respect to which authority is granted by a home state that restricts the authority granted by a limited lines producer's license to less than total authority in the associated major lines described in section 7(a)(1) through 7(a)(6) of this chapter.

(13) "Limited lines producer" means a person authorized by the commissioner to sell, solicit, or negotiate limited lines insurance.

(14) "Limited lines travel insurance producer" means a person designated by an insurer to sell, solicit, or negotiate a travel insurance policy. The term includes the following:

(A) A managing general underwriter.

(B) A managing general agent.

(C) A limited lines producer.

~~(14)~~ **(15)** "Negotiate" means the act of conferring directly with or offering advice directly to a purchaser or prospective purchaser of a particular contract of insurance concerning any of the substantive benefits, terms, or conditions of the contract, provided that the person engaged in that act either sells insurance or obtains insurance from insurers for purchasers.

~~(15)~~ **(16)** "Person" means an individual or a business entity.

~~(16)~~ **(17)** "Sell" means to exchange a contract of insurance by any means, for money or its equivalent, on behalf of a company.

~~(17)~~ **(18)** "Solicit" means attempting to sell insurance or asking or urging a person to apply for a particular kind of insurance from a particular company.

~~(18)~~ **(19)** "Surplus lines producer" means a person who sells, solicits, negotiates, or procures from an insurance company not licensed to transact business in Indiana an insurance policy that cannot be procured from insurers licensed to do business in Indiana.

~~(19)~~ **(20)** "Terminate" means:

(A) the cancellation of the relationship between an insurance producer and the insurer; or

(B) the termination of a producer's authority to transact insurance.

(21) "Travel insurance" means insurance coverage for personal risks incident to planned travel, including the following:

(A) Interruption or cancellation of a trip or an event.

(B) Loss of baggage or personal effects.

(C) Damage to accommodations or rental vehicles.

(D) Sickness, accident, disability, or death that occurs during travel.

The term does not include a major medical plan that provides comprehensive medical insurance for a traveler on a trip that lasts at least six (6) months, including a traveler who is an individual who works overseas as an expatriot or is deployed as a member of the military.

(22) "Travel retailer" means a business entity that offers and delivers travel insurance on behalf of and under the direction of a limited lines travel insurance producer.

~~(20)~~ **(23)** "Uniform business entity application" means the current version of the national association of insurance commissioners uniform business entity application for resident and nonresident business entities.

~~(21)~~ **(24)** "Uniform application" means the current version of the national association of insurance commissioners uniform application for resident and nonresident producer licensing.

SECTION 13. IC 27-1-15.6-18, AS AMENDED BY P.L.4-2012, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 18. The commissioner may issue a limited lines producer's license to the following without examination:

~~(1) A person who is a ticket-selling producer of a common carrier and who will act only with reference to the issuance of insurance on personal effects carried as baggage, in connection with the transportation provided by such common carrier.~~

~~(2) A person who will only negotiate or solicit limited travel accident insurance in transportation terminals.~~

(1) A limited lines travel insurance producer.

~~(3)~~ **(2)** A limited line credit insurance producer.

~~(4)~~ **(3)** A person who will only negotiate or solicit insurance under Class 2(j) of IC 27-1-5-1.

~~(5)~~ **(4)** Any person who will negotiate or solicit a kind of insurance that the commissioner finds does not require an examination to demonstrate professional competency.

~~(6)~~ **(5)** A person that will sell, solicit, or negotiate only portable electronics insurance as provided in IC 27-1-15.9.

SECTION 14. IC 27-1-15.6-19.7 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 19.7. (a) A travel retailer and the travel retailer's employees and authorized representatives may offer and deliver a travel insurance policy if all of the following**

apply:

(1) The travel insurance policy is offered and delivered under a limited lines travel insurance producer license that is issued to a business entity described in subsection (b).

(2) The travel retailer is registered by the business entity as described in subsection (b).

(b) A business entity that holds a limited lines travel insurance producer license may register as a travel retailer to offer and deliver a travel insurance policy on the business entity's behalf if the business entity complies with all of the following:

(1) The business entity is clearly identified as the limited lines travel insurance producer, including the business entity's name and contact information, on all marketing materials and information delivered to customers by the travel retailer.

(2) The business entity does all of the following:

(A) Maintains a register of each travel retailer that offers travel insurance on the business entity's behalf, including all of the following:

(i) The name and contact information of the travel retailer.

(ii) The name and contact information of an officer or other individual who controls the travel retailer's operations.

(iii) The travel retailer's federal employer identification number.

(B) Certifies that each registered travel retailer complies with 18 U.S.C. 1033.

(C) Submits to the commissioner, not more than thirty (30) days after receiving a request from the commissioner, the register maintained under this subdivision.

(D) Designates an individual employee who is licensed as an insurance producer to be responsible for the business entity's compliance with the insurance laws of the state.

(E) Pays all required insurance producer licensing fees.

(F) Requires each travel retailer employee or authorized representative who offers or delivers travel insurance policies to receive a program of instruction or training that has been reviewed by the commissioner.

(c) A business entity is responsible for the acts of a travel retailer registered by the business entity as described in this section.

SECTION 15. IC 27-1-15.7-2, AS AMENDED BY P.L.81-2012,

SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 2. (a) Except as provided in subsection (b), to renew a license issued under IC 27-1-15.6, a resident insurance producer must complete at least twenty-four (24) hours of credit in continuing education courses. **If the insurance producer has a qualification described in IC 27-1-15.6-7(a)(1), IC 27-1-15.6-7(a)(2), or IC 27-1-15.6-7(a)(5), for a license renewal that occurs after June 30, 2014, at least three (3) of the hours of credit required by this subsection must be related to ethical practices in the marketing and sale of life, health, or annuity insurance products.** An attorney in good standing who is admitted to the practice of law in Indiana and holds a license issued under IC 27-1-15.6 may complete all or any number of hours of continuing education required by this subsection by completing an equivalent number of hours in continuing legal education courses that are related to the business of insurance.

(b) Except as provided in subsection (c), to renew a license issued under IC 27-1-15.6, a limited lines producer with a title qualification under IC 27-1-15.6-7(a)(8) must complete at least seven (7) hours of credit in continuing education courses related to the business of title insurance with at least one (1) hour of instruction in a structured setting or comparable self-study in each of the following:

(1) Ethical practices in the marketing and selling of title insurance.

(2) Title insurance underwriting.

(3) Escrow issues.

(4) Principles of the federal Real Estate Settlement Procedures Act (12 U.S.C. 2608).

An attorney in good standing who is admitted to the practice of law in Indiana and holds a license issued under IC 27-1-15.6 with a title qualification under IC 27-1-15.6-7(a)(8) may complete all or any number of hours of continuing education required by this subsection by completing an equivalent number of hours in continuing legal education courses related to the business of title insurance or any aspect of real property law.

(c) The following insurance producers are not required to complete continuing education courses to renew a license under this chapter:

(1) A limited lines producer who is licensed without examination under IC 27-1-15.6-18(1). ~~or IC 27-1-15.6-18(2).~~

(2) A limited line credit insurance producer.

(3) A nonresident limited lines producer with a title qualification:

(A) whose home state requires continuing education for a title

qualification; and
(B) who has met the continuing education requirements described in clause (A).

(d) To satisfy the requirements of subsection (a) or (b), a licensee may use only those credit hours earned in continuing education courses completed by the licensee:

(1) after the effective date of the licensee's last renewal of a license under this chapter; or
(2) if the licensee is renewing a license for the first time, after the date on which the licensee was issued the license under this chapter.

(e) If an insurance producer receives qualification for a license in more than one (1) line of authority under IC 27-1-15.6, the insurance producer may not be required to complete a total of more than twenty-four (24) hours of credit in continuing education courses to renew the license.

(f) Except as provided in subsection (g), a licensee may receive credit only for completing continuing education courses that have been approved by the commissioner under section 4 of this chapter.

(g) A licensee who teaches a course approved by the commissioner under section 4 of this chapter shall receive continuing education credit for teaching the course.

(h) When a licensee renews a license issued under this chapter, the licensee must submit:

(1) a continuing education statement that:
(A) is in a format authorized by the commissioner;
(B) is signed by the licensee under oath; and
(C) lists the continuing education courses completed by the licensee to satisfy the continuing education requirements of this section; and
(2) any other information required by the commissioner.

(i) A continuing education statement submitted under subsection (h) may be reviewed and audited by the department.

(j) A licensee shall retain a copy of the original certificate of completion received by the licensee for completion of a continuing education course.

(k) A licensee who completes a continuing education course that:

(1) is approved by the commissioner under section 4 of this chapter;
(2) is held in a classroom setting; and
(3) concerns ethics;

shall receive continuing education credit not to exceed four (4) hours in a renewal period.

SECTION 16. IC 27-1-15.9-16, AS ADDED BY P.L.4-2012, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 16. (a) This section supplements and does not limit the actions that may be taken by the commissioner for a violation under IC 27-1-15.6.

(b) If a vendor or an employee or authorized representative of a vendor violates this chapter, the commissioner may do any of the following:

(1) After notice and hearing, impose on the vendor a civil penalty of not less than fifty dollars ($50) and not more than ten thousand dollars ($10,000).

(2) After notice and hearing, impose other penalties that the commissioner considers necessary and reasonable, including:

(A) suspending the privilege of transacting portable electronics insurance under this chapter at specific locations where violations have occurred; and

(B) suspending or revoking the ability of an individual employee or authorized representative to act under the vendor's limited lines producer license.

(3) Take action that is otherwise authorized under this title against the supervising entity.

SECTION 17. IC 27-1-36-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 8. As used in this chapter, "domestic insurer" means any:

(1) insurance company;

(2) health maintenance organization; ~~or~~

(3) limited service health maintenance organization; **or**

(4) fraternal benefit society;

that is domiciled in Indiana.

SECTION 18. IC 27-1-36-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 9. As used in this chapter, "foreign insurer" means the following:

(1) An insurer that is:

(A) licensed to do business in Indiana under IC 27-1-17; but

(B) not a domestic insurer.

(2) A health maintenance organization that:

(A) is organized under the laws of a state other than Indiana, a territory or another insular possession of the United States, or the District of Columbia; and

(B) has obtained a certificate of authority under IC 27-13-2.

(3) A limited service health maintenance organization that:

(A) is organized under the laws of a state other than Indiana, a territory or another insular possession of the United States, or the District of Columbia; and
(B) has obtained a certificate of authority under IC 27-13-34.
(4) A fraternal benefit society that:
(A) is organized under the laws of a state other than Indiana, a territory or another insular possession of the United States, or the District of Columbia; and
(B) has obtained a certificate of authority under IC 27-11-8-5.

SECTION 19. IC 27-1-36-9.2 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 9.2. As used in this chapter, "fraternal benefit society" refers to a society (as defined in IC 27-11-1-11) that holds a certificate of authority issued under IC 27-11-4 or IC 27-11-8-5.**

SECTION 20. IC 27-1-36-9.3 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 9.3. As used in this chapter, "health insurer" means the following:**
(1) A health maintenance organization.
(2) A limited service health maintenance organization.
(3) An insurer that makes one (1) or more of the types of insurance described in Class 1(b) or Class 2(a) of IC 27-1-5-1.
(4) An insurer that files a health blank in accordance with the NAIC Annual Statement Instructions.

SECTION 21. IC 27-1-36-9.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 9.6. As used in this chapter, "insurer" includes:
(1) a health maintenance organization; ~~and~~
(2) a limited service health maintenance organization; **and**
(3) a fraternal benefit society.

SECTION 22. IC 27-1-36-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 10. As used in this chapter, "life ~~and health~~ insurer" means
~~(1)~~ an insurer that makes one (1) or more of the types of insurance described in Class 1 of IC 27-1-5-1. ~~or~~
~~(2) a property and casualty insurer that writes only accident and health insurance.~~

SECTION 23. IC 27-1-36-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 14. As used in this chapter, "negative trend" means, with respect to ~~a life and health~~ **an** insurer, a negative trend over a period of time, as determined in accordance with the trend test calculation included in the RBC instructions.

SECTION 24. IC 27-1-36-26 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 26. **(a) This section applies to the following:**

(1) A life ~~and health~~ **insurer.**

(2) A fraternal benefit society.

(b) An insurer's RBC must be determined in accordance with the formula set forth in the RBC instructions. The formula must take into account (and may adjust for the covariance between):

(1) the risk with respect to the insurer's assets;

(2) the risk of adverse insurance experience with respect to the insurer's liabilities and obligations;

(3) the interest rate risk with respect to the insurer's business; and

(4) all other business risks and such other relevant risks as are set forth in the RBC instructions;

determined by applying the factors in the manner set forth in the RBC instructions.

SECTION 25. IC 27-1-36-26.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 26.1. A health ~~maintenance organization's RBC and a limited service health maintenance organization's~~ **insurer's** RBC must be determined in accordance with the formula set forth in the RBC instructions for a health ~~maintenance organization and a limited service health maintenance organization.~~ **insurer.** The formula must take into account (and may adjust for the covariance between):

(1) affiliation investment risk;

(2) asset risk;

(3) credit risk;

(4) underwriting risk; and

(5) all other business risks and such other relevant risks as are set forth in the RBC instructions;

determined by applying the factors in the manner set forth in the RBC instructions.

SECTION 26. IC 27-1-36-29, AS AMENDED BY P.L.81-2012, SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 29. As used in this chapter, "company action level event" means any of the following events:

(1) The filing of an RBC report by an insurer that indicates that:

(A) the insurer's total adjusted capital is:

(i) greater than or equal to its regulatory action level RBC;

but

(ii) less than its company action level RBC;

(B) if a life ~~and health~~ insurer **or a fraternal benefit society,** the insurer:

(i) has total adjusted capital that is greater than or equal to its company action level RBC but less than the product of ~~two and five-tenths (2.5)~~ **three (3)** multiplied by its authorized control level RBC; and

(ii) has a negative trend; ~~or~~

(C) if a property and casualty insurer, ~~a health maintenance organization, or a limited service health maintenance organization,~~ the insurer:

(i) has total adjusted capital that is greater than or equal to its company action level RBC but less than the product of three (3) multiplied by its authorized control level RBC; and

(ii) has a negative trend; **or**

(D) if a health insurer, the insurer:

(i) has a total adjusted capital that is greater than or equal to its company action level RBC but less than the product of three (3) multiplied by its authorized control level RBC; and

(ii) has a negative trend.

(2) The notification by the commissioner to the insurer of an adjusted RBC report that indicates that:

(A) the insurer's total adjusted capital is:

(i) greater than or equal to its regulatory action level RBC; but

(ii) less than its company action level RBC;

(B) if a life ~~and health~~ insurer **or a fraternal benefit society,** the insurer:

(i) has total adjusted capital that is greater than or equal to its company action level RBC but less than the product of ~~two and five-tenths (2.5)~~ **three (3)** multiplied by its authorized control level RBC; and

(ii) has a negative trend; ~~or~~

(C) if a property and casualty insurer, ~~a health maintenance organization, or a limited service health maintenance organization,~~ the insurer:

(i) has total adjusted capital that is greater than or equal to its company action level RBC but less than the product of three (3) multiplied by its authorized control level RBC; and

(ii) has a negative trend; **or**

(D) if a health insurer, the insurer:

(i) has total adjusted capital that is greater than or equal to its company action level RBC but less than the product of three (3) multiplied by its authorized control level RBC; and

(ii) has a negative trend;

unless the insurer challenges the adjusted RBC report under section 44 of this chapter.

(3) The notification by the commissioner to the insurer that the commissioner has, after a hearing under section 44 of this chapter, rejected the insurer's challenge to an adjusted RBC report described in subdivision (2).

SECTION 27. IC 27-1-36-42 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 42. (a) If a mandatory control level event occurs with respect to a life ~~and~~ **insurer, a** health insurer, **or a fraternal benefit society,** the commissioner shall take the actions necessary to place the insurer under regulatory control under IC 27-9.

(b) A mandatory control level event is sufficient grounds for the commissioner to take action against a life ~~and~~ **insurer, a** health insurer, **or a fraternal benefit society** under IC 27-9, and the commissioner has the rights, powers, and duties with respect to the insurer that are set forth in IC 27-9.

(c) If the commissioner takes action against a life ~~and~~ **insurer, a** health insurer, **or a fraternal benefit society** under an adjusted RBC report, the insurer is entitled to the protections of IC 27-9-2 pertaining to summary proceedings.

(d) The commissioner may forego action under subsections (a) through (c) for not more than ninety (90) days after the mandatory control level event if the commissioner finds there is a reasonable expectation that the mandatory control level event may be eliminated within the ninety (90) day period.

SECTION 28. IC 27-1-36-45 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 45. (a) Because they contain information that might be damaging to an insurer if made available to the insurer's competitors, the following are declared confidential for purposes of IC 5-14-3-4 and are not subject to inspection and copying by the public under IC 5-14-3-3:

(1) An RBC report filed with the commissioner under this chapter, to the extent that the information in the report is not required to be provided in a publicly available annual statement schedule.

(2) An RBC plan filed with the commissioner under this chapter, including:

(A) the results or report of any examination or analysis of an insurer performed under the plan; and

(B) any corrective order issued by the commissioner under the examination or analysis.

(b) The information described in subsection (a):

(1) must be kept confidential by the commissioner;

(2) shall not be made public; and

(3) is not:

(A) subject to subpoena;

(B) subject to discovery in a private civil action; or

(C) admissible in evidence in a private civil action;

other than by the commissioner and then only for the purpose of enforcement actions taken by the commissioner under this chapter or another provision of this title.

(c) The commissioner, or a person receiving documents, materials, or other information while acting under the authority of the commissioner, is not permitted or required to testify in a private civil action concerning confidential information described in subsection (a).

(d) The commissioner may disclose documents, materials, and other information, including the information described in subsection (a), to:

(1) other state, federal, and international regulatory agencies;

(2) the NAIC and affiliates and subsidiaries of the NAIC; and

(3) state, federal, and international law enforcement authorities;

if the recipient agrees to maintain the confidential and privileged status of the documents, materials, and other information.

(e) The commissioner:

(1) may receive documents, materials, and other information, including confidential and privileged documents, materials, and information, from:

(A) other state, federal, and international regulatory agencies;

(B) the NAIC and affiliates and subsidiaries of the NAIC; and

(C) other state, federal, and international law enforcement authorities; and

(2) shall maintain as confidential or privileged all documents, materials, and other information received with notice or the

understanding that the documents, materials, and information are confidential or privileged under the law of the jurisdiction that is the source of the documents, materials, and information.

(f) Any applicable privilege or claim of confidentiality in documents, materials, or information described in this section is not waived as a result of the disclosure or receipt of the documents, materials, or information by the commissioner under this section.

SECTION 29. IC 27-8-3-27 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 27. (a) Notwithstanding any of the provisions of sections 1 through 26 of this chapter, every corporation or association organized and operating under the provisions of this chapter shall on or before July 1, 1970, comply with the provisions of IC 27-1 relative to the maintenance of legal reserves required on all life insurance and health and accident insurance policies issued in this state, and relative to compulsory deposit of assets by life insurance companies, and relative to filing of forms, with particular reference to but not limited to ~~IC 27-1-12-9~~ **IC 27-1-12-11** through IC 27-1-12-13, **IC 27-1-12.8,** IC 27-1-13-8, and IC 27-1-20-1 through IC 27-1-20-11.

(b) Provided, that this section shall not apply to any corporation or association that has prior to July 1, 1970, reorganized and accepted the provisions of IC 27-1, as provided in IC 27-1-11. Nor shall this section apply to any insurance policies issued or sold prior to July 1, 1970, or prior to any such reorganization under IC 27-1, whichever occurs earlier.

(c) Provided, further, that with respect to insurance policies issued by any corporation or association on a pure assessment basis, no premiums having been collected in advance, which corporation or association is incorporated and operating under this chapter as of August 18, 1969, and which has had in force between August 18, 1964, and August 18, 1969, insurance policies covering not less than fifteen thousand (15,000) members, such company or association shall maintain, beginning January 1, 1971, a legal reserve on its life assessment business on the basis of monthly renewable term insurance, and said monthly unearned premium reserve shall be calculated at one dollar and thirty cents ($1.30) per member.

(d) Such legal reserve shall be deposited with the insurance department under compulsory deposit provisions referred to in subsection (a).

SECTION 30. IC 27-8-8-0.3, AS ADDED BY P.L.220-2011, SECTION 438, IS AMENDED TO READ AS FOLLOWS

[EFFECTIVE JULY 1, 2013]: Sec. 0.3. (a) The association's coverage obligations under this chapter with respect to a member insurer that has a coverage date before March 28, 2006, are not affected by changes made by P.L.193-2006.

(b) The association's coverage obligations under this chapter with respect to a member insurer that has a coverage date before March 28, 2006, are governed by this chapter as it existed on January 1, 2006.

(c) The amendments made during the 2013 regular session of the general assembly to section 2.1 of this chapter do not apply to a member insurer that has been placed under an order of rehabilitation or liquidation before January 1, 2013.

(d) The amendment made during the 2013 regular session of the general assembly to section 2.3(e) of this chapter does not apply to a member insurer that has a coverage date before January 1, 2012.

(e) The amendments made during the 2013 regular session of the general assembly to section 2.3(f) of this chapter do not apply to a member insurer that has been placed under an order of rehabilitation or liquidation before January 1, 2013.

SECTION 31. IC 27-8-8-2, AS AMENDED BY P.L.193-2006, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 2. (a) The definitions in this section apply throughout this chapter.

(b) "Account" means one (1) of the two (2) accounts created under section 3 of this chapter.

(c) "Annuity contract", except as provided in section 2.3(e) of this chapter, includes:

(1) a guaranteed investment contract;
(2) a deposit administration contract;
(3) a structured settlement annuity;
(4) an annuity issued to or in connection with a government lottery; and
(5) an immediate or a deferred annuity contract.

(d) "Assessment base year" means, for an impaired insurer or insolvent insurer, the most recent calendar year for which required premium information is available preceding the calendar year during which the impaired insurer's or insolvent insurer's coverage date occurs.

(e) "Association", except when the context otherwise requires, means the Indiana life and health insurance guaranty association created by section 3 of this chapter.

(f) "Benefit plan" means a specific plan, fund, or program that is established or maintained by an employer or an employee organization, or both, that:

(1) provides retirement income to employees; or

(2) results in a deferral of income by employees for a period extending to or beyond the termination of employment.

(g) "Board" refers to the board of directors of the association selected under IC 27-8-8-4.

(h) "Called", when used in the context of assessments, means that notice has been issued by the association to member insurers requiring the member insurers to pay, within a time frame set forth in the notice, an assessment that has been authorized by the board.

(i) "Commissioner" refers to the insurance commissioner appointed under IC 27-1-1-2.

(j) "Contractual obligation" means an enforceable obligation under a covered policy for which and to the extent that coverage is provided under section 2.3 of this chapter.

(k) "Coverage date" means, with respect to a member insurer, the date on which the earlier of the following occurs:

(1) The member insurer becomes an insolvent insurer.

(2) The association determines that the association will provide coverage under section 5(a) of this chapter with respect to the member insurer.

(l) "Covered policy" means a:

(1) nongroup policy or contract;

(2) certificate under a group policy or contract; or

(3) part of a policy, contract, or certificate described in subdivisions (1) and (2);

for which coverage is provided under section 2.3 of this chapter.

(m) "Extracontractual claims" includes claims that relate to bad faith in the payment of claims, punitive or exemplary damages, or attorney's fees and costs.

(n) "Funding agreement" has the meaning set forth in IC 27-1-12.7-1.

(o) "Impaired insurer" means a member insurer that is:

(1) not an insolvent insurer; and

(2) placed under an order of rehabilitation or conservation by a court with jurisdiction.

(p) "Insolvent insurer" means a member insurer that is placed under an order of liquidation with a finding of insolvency by a court with jurisdiction.

(q) "Member insurer" means any person that holds a certificate of authority to transact in Indiana any kind of insurance for which coverage is provided under section 2.3 of this chapter. The term includes an insurer whose certificate of authority to transact such insurance in Indiana may have been suspended, revoked, not renewed, or voluntarily withdrawn but does not include the following:

(1) A for-profit or nonprofit hospital or medical service organization.
(2) A health maintenance organization under IC 27-13.
(3) A fraternal benefit society under IC 27-11.
(4) The Indiana Comprehensive Health Insurance Association or any other mandatory state pooling plan or arrangement.
(5) An assessment company or another person that operates on an assessment plan (as defined in IC 27-1-2-3(y)).
(6) An interinsurance or reciprocal exchange authorized by IC 27-6-6.
(7) A prepaid limited service health maintenance organization or a limited service health maintenance organization under IC 27-13-34.
(8) A farm mutual insurance company under IC 27-5.1.
(9) A person operating as a Lloyds under IC 27-7-1.
(10) The political subdivision risk management fund established by IC 27-1-29-10 and the political subdivision catastrophic liability fund established by IC 27-1-29.1-7.
(11) The small employer health reinsurance board established by IC 27-8-15.5-5.
(12) A person similar to any person described in subdivisions (1) through (11).

(r) "Moody's Corporate Bond Yield Average" means:
(1) the monthly average of the composite yield on seasoned corporate bonds as published by Moody's Investors Service, Inc.; or
(2) if the monthly average described in subdivision (1) is no longer published, an alternative publication of interest rates or yields determined appropriate by the association.

(s) "Multiple employer welfare arrangement" has the meaning set forth in IC 27-1-34-1.

(t) "Owner" means the person:
(1) identified as the legal owner of a policy or contract according to the terms of the policy or contract; or
(2) otherwise vested with legal title to a policy or contract through a valid assignment completed in accordance with the terms of the policy or contract and properly recorded as the owner on the books of the insurer.

The term does not include a person with a mere beneficial interest in a policy or contract.

(u) "Person" means an individual, a corporation, a limited liability company, a partnership, an association, a governmental entity, a voluntary organization, a trust, a trustee, or another business entity or organization.

(v) "Plan sponsor" refers to only one (1) of the following with respect to a benefit plan:

(1) The employer, in the case of a benefit plan established or maintained by a single employer.

(2) The holding company or controlling affiliate, in the case of a benefit plan established or maintained by affiliated companies comprising a consolidated corporation.

(3) The employee organization, in the case of a benefit plan established or maintained by an employee organization.

(4) In a case of a benefit plan established or maintained:

(A) by two (2) or more employers;

(B) by two (2) or more employee organizations; or

(C) jointly by one (1) or more employers and one (1) or more employee organizations;

and that is not of a type described in subdivision (2), the association, committee, joint board of trustees, or other similar group of representatives of the parties that establish or maintain the benefit plan.

(w) "Premiums" means amounts, deposits, and considerations received on covered policies, less returned premiums, returned deposits, returned considerations, dividends, and experience credits. The term does not include the following:

(1) Amounts, deposits, and considerations received for policies or contracts or parts of policies or contracts for which coverage is not provided under section 2.3(d) of this chapter, as qualified by section 2.3(e) of this chapter, except that an assessable premium must not be reduced on account of the limitations set forth in section 2.3(e)(3), 2.3(e)(15), or 2.3(f)(2) of this chapter.

(2) Premiums in excess of five million dollars ($5,000,000) on an unallocated annuity contract not issued or not connected with a governmental benefit plan established under Section 401, 403(b), or 457 of the United States Internal Revenue Code.

(x) "Principal place of business" refers to the single state in which individuals who establish policy for the direction, control, and coordination of the operations of an entity as a whole primarily exercise the direction, control, and coordination, as determined by the association in the association's reasonable judgment by considering the following factors:

(1) The state in which the primary executive and administrative headquarters of the entity is located.

(2) The state in which the principal office of the chief executive officer of the entity is located.

(3) The state in which the board of directors or similar governing person of the entity conducts the majority of the board of directors' or governing person's meetings.

(4) The state in which the executive or management committee of the board of directors or similar governing person of the entity conducts the majority of the committee's meetings.

(5) The state from which the management of the overall operations of the entity is directed.

However, in the case of a plan sponsor, if more than fifty percent (50%) of the participants in the plan sponsor's benefit plan are employed in a single state, that state is considered to be the principal place of business of the plan sponsor. The principal place of business of a plan sponsor of a benefit plan described in subsection (v)(4), if more than fifty percent (50%) of the participants in the plan sponsor's benefit plan are not employed in a single state, is considered to be the principal place of business of the association, committee, joint board of trustees, or other similar group of representatives of the parties that establish or maintain the benefit plan and, in the absence of a specific or clear designation of a principal place of business, is considered to be the principal place of business of the employer or employee organization that has the largest investment in the benefit plan in question on the coverage date.

(y) "Receivership court" refers to the court in an insolvent insurer's or impaired insurer's state that has jurisdiction over the conservation, rehabilitation, or liquidation of the insolvent insurer or impaired insurer.

(z) "Resident" means **the following:**

(1) An individual who resides in Indiana on the applicable coverage date.

(2) A person that ~~resides or~~ **is not an individual and** has the person's principal place of business in Indiana on the applicable coverage date.

(aa) "State" includes a state, the District of Columbia, Puerto Rico, and a United States possession, territory, or protectorate.

(bb) "Structured settlement annuity" means an annuity purchased to fund periodic payments for a plaintiff or other claimant in payment for or with respect to personal injury suffered by the plaintiff or other claimant.

(cc) "Supplemental contract" means a written agreement entered into for the distribution of proceeds under a life, health, or annuity policy or contract.

(dd) "Unallocated annuity contract" means an annuity contract or group annuity certificate:

(1) the owner of which is not a natural person; and

(2) that does not identify at least one (1) specific natural person as an annuitant;

except to the extent of any annuity benefits guaranteed to a natural person by an insurer under the contract or certificate. For purposes of this chapter, an unallocated annuity contract shall not be considered a group policy or group contract.

SECTION 32. IC 27-8-8-2.1, AS ADDED BY P.L.193-2006, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 2.1. (a) For purposes of this chapter:

(1) a policy or contract issued on a blanket basis is a group policy or group contract;

(2) each individual insured under a policy or contract issued on a blanket basis is a certificate holder under the policy or contract; and

(3) a policy or contract issued on a franchise plan to members of a qualified group is a nongroup policy or nongroup contract.

(b) For purposes of this chapter, a benefit plan may have only one (1) plan sponsor.

(c) For purposes of this chapter, an individual who, on the applicable coverage date:

(1) is a citizen of the United States; and

(2) resides in a:

(A) foreign country; or

(B) United States possession, territory, or protectorate;

that does not have an association similar to the association created by this chapter;

is considered to be a resident of the state of domicile of the insurer that issued the policies or contracts.

SECTION 33. IC 27-8-8-2.3, AS ADDED BY P.L.193-2006, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 2.3. (a) Except as otherwise excluded or limited by this chapter, this chapter provides coverage for policies and contracts specified in subsection (d) as follows:

(1) To a person, other than a certificate holder under a group policy or a group contract, that, regardless of where the person

resides, is the beneficiary, nonowner assignee, or payee of a person covered under subdivision (2).

(2) To a person that is a certificate holder under a group policy or group contract, and to a person that is the owner of a nongroup policy or nongroup contract that is not an unallocated annuity contract or a structured settlement annuity, and that:

(A) is a resident; or

(B) is not a resident if all the following conditions are satisfied:

(i) The member insurer that issued the policy or contract is domiciled in Indiana.

(ii) The state in which the person resides has an association similar to the association.

(iii) The nonresident is not eligible for coverage by the other association referred to in item (ii) solely because the member insurer was not licensed in the state of residence at the time specified in the guaranty association law of the state of residence.

(3) For an unallocated annuity contract, subdivisions (1) and (2) do not apply, and this chapter provides coverage to the following:

(A) A person that is the owner of the unallocated annuity contract, if the contract was issued to or in connection with a benefit plan whose plan sponsor is a resident or, if the plan sponsor is not a resident, if all the following conditions are satisfied:

(i) The member insurer that issued the unallocated annuity contract is domiciled in Indiana.

(ii) The state in which the plan sponsor resides has an association similar to the association.

(iii) The other association referred to in item (ii) does not provide coverage of the unallocated annuity contract solely because the member insurer was not licensed in the state of residence at the time specified in the guaranty association law of the state of residence.

(B) A person that is the owner of an unallocated annuity contract issued to or in connection with a government lottery, if the owner is a resident or, if the owner is not a resident, if all the following conditions are satisfied:

(i) The member insurer that issued the unallocated annuity contract is domiciled in Indiana.

(ii) The state in which the owner resides has an association similar to the association.

(iii) The other association referred to in item (ii) does not provide coverage of the unallocated annuity contract solely because the member insurer was not licensed in the state of residence at the time specified in the guaranty association law of the state of residence.

(4) For a structured settlement annuity, subdivisions (1) and (2) do not apply, and this chapter provides coverage to a person that is a payee under the structured settlement annuity (or beneficiary of a payee if the payee is deceased), if the payee:

(A) is a resident, regardless of where the contract owner resides; or

(B) is not a resident if all the following conditions are satisfied:

(i) The member insurer that issued the structured settlement annuity is domiciled in Indiana.

(ii) The state in which the payee resides has an association similar to the association.

(iii) Neither the payee nor the beneficiary of the payee (if the payee is deceased) is eligible for coverage by the other association referred to in item (ii) solely because the member insurer was not licensed in the state of residence at the time specified in the guaranty association law of the state of residence.

(b) This chapter does not provide coverage to a person that is:

(1) a payee or beneficiary of a contract owner that is a resident, if the payee or beneficiary is afforded any coverage by the association of another state; or

(2) otherwise covered under subsection(a)(3), if any coverage is provided to the person by the association of another state.

(c) To avoid duplicate coverage, if a person that would otherwise receive coverage under this chapter is provided coverage under the laws of another state, the person is not eligible for coverage under this chapter. In determining the application of this subsection when a person may be covered by the association of more than one (1) state as an owner, a payee, a beneficiary, or an assignee, this chapter must be construed in conjunction with the laws of the other state to result in coverage by only one (1) association.

(d) Except as otherwise excluded or limited by this chapter, this chapter provides coverage to the persons specified in subsection (a) for:

(1) direct nongroup life, health, or annuity policies and contracts and supplemental contracts to direct nongroup life, health, or

annuity policies and contracts;
(2) certificates under direct group life, health, and annuity policies and contracts; and
(3) unallocated annuity contracts;
issued by member insurers.

(e) This chapter does not provide coverage for or with respect to the following:

(1) A part of a certificate, policy, or contract:
(A) not guaranteed by the insurer; or
(B) under which the risk is borne by the payee, certificate holder, or the policy or contract owner.

(2) A reinsurance policy or contract, unless and to the extent that assumption certificates have been issued under the reinsurance policy or contract.

(3) A part of a certificate, policy, or contract to the extent that the certificate's, policy's, or contract's interest rate, crediting rate, or similar factor employed in calculating returns or changes in values, whether expressly stated in the certificate, policy, or contract or determined by use of an index or other external referent stated in the certificate, policy, or contract, either:
(A) when averaged over a period of four (4) years immediately before the applicable coverage date, exceeds the rate of interest determined by subtracting two (2) percentage points from Moody's Corporate Bond Yield Average averaged for the same four (4) year period or for a lesser period if the certificate, policy, or contract was issued less than four (4) years before the applicable coverage date; or
(B) in effect under the certificate, policy, or contract on and after the applicable coverage date, exceeds the rate of interest determined by subtracting three (3) percentage points from Moody's Corporate Bond Yield Average as most recently available on the applicable coverage date.

(4) The obligations of a plan or program of an employer, an association, or another person to provide life, health, or annuity benefits to the employer's, association's, or other person's employees, members, or others, including obligations arising under and benefits payable by the employer, association, or other person under a multiple employer welfare arrangement.

(5) A minimum premium group insurance plan.

(6) A stop-loss or excess loss insurance policy or contract providing for the indemnification of or payment to a policy owner, a contract owner, a plan, or another person obligated to pay life,

health, or annuity benefits or to provide services in connection with a benefit plan or another plan, fund, or program for the provision of employee welfare or pension benefits.

(7) An administrative services only contract.

(8) A part of a certificate, policy, or contract to the extent that the certificate, policy, or contract provides for:

(A) dividends or experience rating credits;

(B) voting rights; or

(C) payment of fees or allowances to a person, including the certificate holder or policy or contract owner, in connection with service with respect to or administration of the certificate, policy, or contract.

(9) A certificate, policy, or contract issued in Indiana by a member insurer when the member insurer did not have a certificate of authority to issue the certificate, policy, or contract in Indiana.

(10) An unallocated annuity contract issued to or in connection with a benefit plan protected by the federal Pension Benefit Guaranty Corporation, regardless of whether the federal Pension Benefit Guaranty Corporation has yet been required to make payments with respect to the benefit plan.

(11) An unallocated annuity contract or part of an unallocated annuity contract that is not issued to or in connection with a benefit plan or a government lottery.

(12) A certificate, policy, or contract or part of a certificate, policy, or contract with respect to which the Class B assessments contemplated by section 6 of this chapter may not be made or collected under federal or state law.

(13) An obligation or claim that does not arise under the express written terms of the policy or contract issued by the member insurer to the contract owner or policy owner, including any of the following obligations and claims:

(A) Obligations and claims based on marketing materials.

(B) Obligations and claims based on side letters, riders, or other documents issued by the member insurer without meeting applicable policy form filing or approval requirements.

(C) Obligations and claims based on actual or alleged misrepresentations.

(D) Obligations and claims that are extracontractual claims.

(E) Obligations and claims for penalties or consequential, incidental, punitive, or exemplary damages.

(14) An obligation to provide a book value accounting guaranty for defined contribution benefit plan participants by reference to a portfolio of assets that is owned by the:

(A) benefit plan; or

(B) benefit plan's trustee;

that is not an affiliate of the member insurer.

(15) A part of a certificate, policy, or contract to the extent the:

(A) certificate, policy, or contract provides for the certificate's, policy's, or contract's interest rate, crediting rate, or similar factor employed in calculating returns or changes in values, to be determined by use of an index or other external referent stated in the certificate, policy, or contract; and

(B) returns or changes in value have not been credited to the certificate, policy, or contract, or as to which the certificate holder's or policy or contract owner's rights are subject to forfeiture, as of the applicable coverage date.

If a certificate's, policy's, or contract's returns or changes in values are credited to the certificate, policy, or contract less frequently than annually, for purposes of determining the returns and values that have been credited and are not subject to forfeiture under this subdivision, the returns and changes in value determined by using the procedures defined in the certificate, policy, or contract must be considered credited as if the contractual date of crediting returns or changes in values were the applicable coverage date, and those credited returns or changes in value are not subject to forfeiture under this subdivision, but will be subject to any other applicable limitations under this chapter.

(16) A funding agreement.

(17) An annuity not subject to regulation as described in IC 27-1-12.4.

(18) A certificate, policy, or contract that provides a hospital, medical, prescription drug, or other health care benefit under:

(A) Part C of Title XVIII of the federal Social Security Act (42 U.S.C. 1395w-21 through 1395w-28);

(B) Part D of Title XVIII of the federal Social Security Act (42 U.S.C. 1395w-101 through 1395w-153); or

(C) regulations adopted under a law specified in clause (A) or (B).

(f) The benefits that the association is obligated to cover do not exceed the lesser of the following:

(1) The contractual obligations for which the member insurer is

liable or would have been liable if the member insurer were not an impaired insurer or insolvent insurer.

(2) The applicable limitations as follows:

(A) With respect to certificates, policies, and contracts not subject to clause (B), (C), (E), or (F), with respect to one (1) life, regardless of the number of policies or contracts, the following limitations:

(i) Three hundred thousand dollars ($300,000) in life insurance death benefits, but not more than one hundred thousand dollars ($100,000) in net cash surrender and net cash withdrawal values.

(ii) ~~Three hundred thousand dollars ($300,000) in health insurance benefits, but not more than~~ One hundred thousand dollars ($100,000) in **health insurance benefits (other than disability insurance, basic hospital, medical, and surgical insurance, major medical insurance, and long term care insurance), including** net cash surrender and net cash withdrawal values.

(iii) Three hundred thousand dollars ($300,000) in health insurance benefits that are disability insurance.

(iv) Three hundred thousand dollars ($300,000) in health insurance benefits under one (1) or more long term care insurance policies (as defined in IC 27-8-12-5).

(v) Five hundred thousand dollars ($500,000) in health insurance benefits that are basic hospital, medical, and surgical insurance or major medical insurance.

~~(iii)~~ **(vi)** ~~One~~ **Two** hundred **fifty** thousand dollars ~~($100,000)~~ **($250,000)** in the present value of annuity benefits, including net cash surrender and net cash withdrawal values.

(B) With respect to unallocated annuity contracts issued to or in connection with a governmental benefit plan established under Section 401, 403(b), or 457 of the United States Internal Revenue Code, ~~one~~ **two** hundred **fifty** thousand dollars ~~($100,000)~~ **($250,000)** in the present value of annuity benefits, including net cash surrender and net cash withdrawal values, per participant.

(C) With respect to structured settlement annuities, ~~one~~ **two** hundred **fifty** thousand dollars ~~($100,000)~~ **($250,000)** in the present value of annuity benefits, including net cash surrender and net cash withdrawal values, per payee.

(D) In addition to the foregoing limitations, the association is not obligated to cover more than:

(i) an aggregate of three hundred thousand dollars ($300,000) in benefits with respect to any one (1) person under clauses (A), (B), and (C), **except with respect to benefits for basic hospital, medical, and surgical insurance and major medical insurance under clause (A)(v), an aggregate of five hundred thousand dollars ($500,000) with respect to any one (1) person;** or

(ii) with respect to one (1) owner of multiple nongroup policies of life insurance, whether the policy owner is an individual, a firm, a corporation, or another person, and whether the persons insured are officers, managers, employees, or other persons, five million dollars ($5,000,000) in benefits, including net cash surrender and net cash withdrawal values, regardless of the number of policies and contracts held by the owner.

(E) With respect to unallocated annuity contracts issued to or in connection with a government lottery, five million dollars ($5,000,000) in benefits per contract owner, regardless of the number of contracts held by the contract owner.

(F) With respect to unallocated annuity contracts:

(i) issued to or in connection with a benefit plan; and

(ii) not subject to clause (B);

five million dollars ($5,000,000) in benefits per plan sponsor, regardless of the number of unallocated annuity contracts entitled to coverage under this chapter.

(g) The limitations set forth in subsection (f) are limitations on the benefits for which the association is obligated before taking into account the:

(1) association's subrogation and assignment rights; or

(2) extent to which the benefits could be provided out of the assets of the impaired insurer or insolvent insurer attributable to covered policies.

The costs of discharging the association's obligations under this chapter may be met by the use of assets attributable to covered policies or reimbursed to the association under the association's subrogation and assignment rights.

(h) In discharging the association's obligations to provide coverage under this chapter, the association is not required to:

(1) guarantee, assume, reinsure, or perform;

(2) cause to be guaranteed, assumed, reinsured, or performed; or

(3) otherwise assure the discharge of;

the obligations of the insolvent insurer or impaired insurer under a covered policy that do not materially affect the economic values or economic benefits of the covered policy.

SECTION 34. IC 27-8-8-15, AS AMENDED BY P.L.193-2006, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 15. All proceedings in which an insolvent insurer is a party in any court in Indiana shall be stayed for ~~sixty (60)~~ **one hundred eighty (180)** days from the date an order of liquidation is entered to permit proper legal action by the association on matters germane to its powers or duties. As to judgment under any decision, order, verdict, or finding based on default, the association may apply to have the judgment set aside by the same court that made the judgment and is entitled to defend against the suit on the merits.

SECTION 35. IC 35-43-9-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 4. As used in this chapter, "title insurance agent" means a person who holds a limited lines producer's license issued under ~~IC 27-1-15.6-18(4)~~ **IC 27-1-15.6-18(3)** and disburses funds from a title insurance escrow account to a party in connection with a residential real property transaction.

COMMITTEE REPORT

Mr. Speaker: Your Committee on Insurance, to which was referred House Bill 1321, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 40, line 22, after "chapter" insert "**.**".

Page 47, line 34, delete ";" and insert "**.**".

Page 68, line 20, after "least" insert "**:**
(1)".

Page 68, line 20, after "of" insert "**liability**".

Page 68, line 20, after "coverage" insert "**; and**
(2) four (4) days of physical damage coverage that is subject to a deductible of not more than five hundred dollars ($500);".

Page 68, line 20, beginning with "for" begin a new line blocked left.

Page 71, line 40, after "employees" insert "**and authorized representatives**".

Page 72, line 33, after "employee" insert "**or authorized representative**".

Page 73, line 3, after "courses." insert "**If the insurance producer has a qualification described in IC 27-1-15.6-7(a)(1), IC 27-1-15.6-7(a)(2), or IC 27-1-15.6-7(a)(5), for a license renewal that occurs after June 30, 2014, at least three (3) of the hours of credit required by this subsection must be related to ethical practices in the marketing and sale of life, health, or annuity insurance products.**".

Page 75, delete lines 15 through 30.

Page 95, delete lines 21 through 42.

Page 96, delete lines 1 through 5.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1321 as introduced.)

LEHMAN, Chair

Committee Vote: yeas 7, nays 3.

HOUSE MOTION

Mr. Speaker: I move that House Bill 1321 be amended to read as follows:

Page 11, line 29, strike "Any" and insert "**For policies issued:**

(i) before the operative date of the valuation manual specified in IC 27-1-12.8-34, any commissioners standard".

Page 11, line 36, delete "." and insert "; **or**

(ii) on or after the operative date of the valuation manual specified in IC 27-1-12.8-34, the valuation manual must provide the commissioners standard ordinary mortality table for use in determining the minimum nonforfeiture standard that may be substituted for the Commissioners 1980 Standard Ordinary Mortality Table with or without Ten-Year Select Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table. If the commissioner adopts a rule under IC 4-22-2 to approve any commissioners standard ordinary mortality table adopted by the National Association of Insurance Commissioners for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual, that minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual.".

Page 11, line 37, strike "Any" and insert "**For policies issued:**

(i) before the operative date of the valuation manual specified in IC 27-1-12.8-34, any commissioners standard".

Page 12, line 1, delete "." and insert "; **or**

(ii) on or after the operative date of the valuation manual specified in IC 27-1-12.8-34, the valuation manual must provide the commissioners standard industrial mortality table for use in determining the minimum nonforfeiture standard that may be substituted for the Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961 Industrial Extended Term Insurance Table. If the commissioner adopts a rule under IC 4-22-2 to approve any commissioners standard industrial mortality table adopted by the National Association of Insurance Commissioners for use in determining the minimum nonforfeiture standard for

policies issued on or after the operative date of the valuation manual, that minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual.".

Page 12, line 3, after "be" insert "**as follows:**

(A) For policies issued before the operative date of the valuation manual specified in IC 27-1-12.8-34,".

Page 12, between lines 6 and 7, begin a new line double block indented and insert:

"**(B) For policies issued on or after the operative date of the valuation manual specified in IC 27-1-12.8-34, the nonforfeiture interest rate per annum for a policy issued in a particular calendar year must be provided by the valuation manual.**".

Page 30, between lines 20 and 21, begin a new paragraph and insert:

"SECTION 6. IC 27-1-12-10.1 IS REPEALED [EFFECTIVE JULY 1, 2013]. ~~Sec. 10.1. (a) As used in this section, "qualified actuary" means a member in good standing of the American Academy of Actuaries who meets any requirements the commissioner may establish in rules adopted under IC 4-22-2 as a prerequisite to offering the opinions required by this section.~~

~~(b) Each life insurance company doing business in Indiana shall annually submit to the department the opinion of a qualified actuary as to whether the reserves and related actuarial items held by the life insurance company in support of the policies and contracts specified by the commissioner by rules adopted under IC 4-22-2:~~

~~(1) are computed appropriately;~~

~~(2) are based on assumptions that satisfy contractual provisions;~~

~~(3) are consistent with prior reported amounts; and~~

~~(4) comply with applicable laws of Indiana.~~

~~The commissioner shall adopt rules under IC 4-22-2 to implement this section. The rules adopted by the commissioner must specify the information to be included in an actuary's opinion submitted under this section and may require the inclusion in the opinion of any other items of information that the commissioner considers necessary to the scope of the opinion.~~

~~(c) Unless it is exempted by a rule adopted by the commissioner under IC 4-22-2, a life insurance company doing business in Indiana shall include with the actuary's opinion submitted under subsection (b) an opinion by the same qualified actuary. The opinion required under this subsection shall state whether the reserves and related actuarial items held by the life insurance company in support of the policies and~~

~~contracts specified by the commissioner by rules adopted under IC 4-22-2 make adequate provision for the obligations of the company under the policies and contracts, including but not limited to:~~

~~(1) the benefits under; and~~

~~(2) the expenses associated with;~~

~~the policies and contracts of the life insurance company. In making the determination required under this subsection, the qualified actuary shall consider the assets held by the company with respect to reserves and related actuarial items, including but not limited to investment earnings on the assets and the considerations anticipated to be received and retained under the policies and contracts.~~

~~(d) The commissioner, in rules adopted under IC 4-22-2, may provide for a transition period for establishing any higher reserves that the qualified actuary may consider necessary in order to render the opinion required by this section.~~

~~(e) The following requirements apply to the actuary's opinion required by subsection (c):~~

~~(1) A memorandum, which meets all requirements that the commissioner may establish by rules adopted under IC 4-22-2 concerning form and content, shall be prepared to support each actuarial opinion.~~

~~(2) If:~~

~~(A) the life insurance company fails to provide a supporting memorandum at the request of the commissioner within a period specified by rules adopted by the commissioner under IC 4-22-2; or~~

~~(B) the commissioner determines that the supporting memorandum provided by the life insurance company does not meet the standards set forth in rules adopted by the commissioner under IC 4-22-2 or is otherwise unacceptable to the commissioner;~~

~~the commissioner may engage a qualified actuary at the expense of the life insurance company to review the opinion and the basis for the opinion and to prepare a supporting memorandum, if a supporting memorandum is required by the commissioner.~~

~~(f) The following requirements apply to every opinion under this section:~~

~~(1) The opinion shall be submitted with the annual statement of the life insurance company and must reflect the valuation of reserve liabilities for each year ending after December 31, 1994.~~

~~(2) The opinion must apply to all business in force, including individual and group health insurance plans, and must meet all~~

~~requirements that the commissioner may establish concerning form and content by rules adopted under IC 4-22-2.~~

~~(3) The opinion must be based on standards adopted periodically by the Actuarial Standards Board and on additional standards that the commissioner may prescribe by rules adopted under IC 4-22-2.~~

~~(4) In the case of an opinion required to be submitted by a foreign or an alien life insurance 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 Indiana.~~

~~(g) Except in cases of fraud or willful misconduct, a qualified actuary who provides an opinion required by this section is not liable for damages to any person other than:~~

~~(1) the life insurance company for which the opinion is offered; and~~

~~(2) the commissioner;~~

~~for any act, error, omission, decision, or conduct with respect to the actuary's opinion.~~

~~(h) The rules adopted by the commissioner under IC 4-22-2 to implement this section shall provide for disciplinary action against a life insurance company or a qualified actuary who violates this section or the rules adopted under this section.~~

~~(i) Except as provided in subsections (j) and (k), a memorandum submitted by a life insurance company in support of an opinion required by this section and any other material provided to the commissioner by the company in connection with the memorandum:~~

~~(1) are declared confidential for the purposes of IC 5-14-3-4(a)(1);~~

~~(2) shall be kept confidential by the commissioner; and~~

~~(3) are not subject to subpoena;~~

~~other than for the purpose of defending an action seeking damages from any person by reason of any action required by this section or rules adopted under this section.~~

~~(j) A memorandum submitted by a life insurance company in support of an opinion required by this section and material provided to the commissioner by the company in connection with the memorandum may be released by the commissioner:~~

~~(1) with the written consent of the life insurance company; or~~

~~(2) to the American Academy of Actuaries in response to a written request that:~~

~~(A) states that the memorandum or other material is required for the purpose of professional disciplinary proceedings; and~~
~~(B) sets forth procedures satisfactory to the commissioner for preserving the confidentiality of the memorandum or other material.~~

~~(k) Whenever any portion of a memorandum submitted to the commissioner by a life insurance company in support of an opinion required by this section:~~
~~(1) is cited by the company in its marketing;~~
~~(2) is cited before any governmental agency other than a state insurance department; or~~
~~(3) is released by the company to the news media;~~
~~all portions of the memorandum are no longer confidential.~~

~~(l) The commissioner shall adopt rules under IC 4-22-2 containing the minimum standards for the valuation of health plans.~~".

Page 33, line 20, delete "As" and insert "**(a) Before the operative date of the valuation manual specified in section 34 of this chapter, as**".

Page 33, line 22, after "IC 27-1-5-1" insert "**.**

(b) On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "accident and sickness insurance" means insurance described in Class 1(b), Class 1(c)(2), or Class 2(a) of IC 27-1-5-1".

Page 33, line 24, delete "As" and insert "**(a) Before the operative date of the valuation manual specified in section 34 of this chapter, as**".

Page 33, line 25, after "appointed" insert "**to prepare an actuarial opinion required by sections 21 and 22 of this chapter.**

(b) On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "appointed actuary" means a qualified actuary who is appointed".

Page 33, line 27, delete "sections 21, 22, and" and insert "**section**".

Page 34, line 29, delete "35(b)(2)" and insert "**35(c)(2)**".

Page 34, line 38, delete "35(b)(3)" and insert "**35(c)(3)**".

Page 35, line 36, delete "As" and insert "**(a) Before the operative date of the valuation manual specified in section 34 of this chapter, as**".

Page 35, line 37, after "risk" insert "**.**

(b) On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "deposit type contract" means a contract that does not incorporate mortality or morbidity risk".

Page 36, line 3, delete "As" and insert "**(a) Before the operative date of the valuation manual specified in section 34 of this chapter, as**".

Page 36, line 5, delete "," and insert "**.**

(b) On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "life insurance" means insurance under a contract that incorporates mortality risk, including annuity and pure endowment contracts,".

Page 36, line 42, delete "As" and insert "**On and after the operative date of the valuation manual specified in section 34 of this chapter, as**".

Page 37, line 6, delete "As" and insert "**(a) Before the operative date of the valuation manual specified in section 34 of this chapter, as**".

Page 37, line 7, delete ":" and insert "**is qualified to sign the applicable statement of actuarial opinion in accordance with the American Academy of Actuaries qualification standards.**

(b) On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "qualified actuary" means an individual who:".

Page 46, line 22, delete "July 1, 2013, is the minimum standard set forth in the" and insert "**the operative date of the valuation manual specified in section 34 of this chapter and on or**".

Page 46, delete lines 23 through 25.

Page 46, run in lines 22 through 26.

Page 46, line 40, delete "(c)" and insert "**(b)**".

Page 46, line 41, delete "(b)," and insert "**(a),**".

Page 49, line 27, after "," insert "**and before the operative date of the valuation manual specified in section 34 of this chapter,**".

Page 62, line 33, delete "35(b)(3)" and insert "**35(c)(3)**".

Page 63, line 28, delete "(i)" and insert "**(A)**".

Page 63, line 29, delete "(ii)" and insert "**(B)**".

Page 63, line 30, delete "(iii)" and insert "**(C)**".

Page 64, line 16, after "(a)" insert "**This section applies on and after the operative date of the valuation manual specified in section 34 of this chapter.**

(b)".

Page 65, line 7, delete "(b)" and insert "**(c)**".

Page 65, line 27, delete "(c)" and insert "**(d)**".

Page 65, line 29, delete "A" and insert "**On and after the operative date of the valuation manual specified in section 34 of this chapter, a**".

Page 67, line 12, delete "35(b)(3)" and insert "**35(c)(3)**".
Page 67, line 18, delete "35(b)(3)" and insert "**35(c)(3)**".
Page 68, line 19, delete "An" and insert "**If the insured notifies the insurer of the newly acquired motor vehicle within the periods specified in subdivisions (1) and (2), an**".
Renumber all SECTIONS consecutively.

(Reference is to HB 1321 as printed February 12, 2013.)

LEHMAN

COMMITTEE REPORT

Madam President: The Senate Committee on Insurance, to which was referred House Bill No. 1321, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS.

(Reference is made to House Bill 1321 as printed February 19, 2013.)

PAUL, Chairperson

Committee Vote: Yeas 6, Nays 0.

SENATE MOTION

Madam President: I move that Engrossed House Bill 1321 be amended to read as follows:
Page 73, line 17, after "(2)" insert "**if the motor vehicle insurance policy provides physical damage coverage,**".

(Reference is to EHB 1321 as printed March 22, 2013.)

HOLDMAN