



March 22, 2013

**ENGROSSED  
HOUSE BILL No. 1321**

DIGEST OF HB 1321 (Updated March 21, 2013 12:06 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.

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EH 1321—LS 7293/DI 97+



March 22, 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:*

1 SECTION 1. IC 27-1-3.1-15, AS AMENDED BY P.L.11-2011,  
2 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2013]: Sec. 15. **(a)** All working papers, recorded information,  
4 documents, and copies thereof produced by, obtained by, or disclosed  
5 to the commissioner or any other person in the course of an  
6 examination under this chapter (including trade secrets and information  
7 obtained from a federal agency, a foreign country, or the National  
8 Association of Insurance Commissioners, or under another state law):  
9 **(1) are confidential for the purposes of IC 5-14-3-4, and**  
10 **privileged;**  
11 **(2) are not subject to public inspection or copying under**  
12 **IC 5-14-3-3;**  
13 **(3) are not subject to subpoena;**  
14 **(4) are not subject to discovery or admissible in evidence in a**  
15 **private civil action; and**  
16 **(5) may not be made public by the commissioner or any other**  
17 **person, except to the extent provided in section 14 of this chapter.**

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1           However,

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

37 For any family policy issued on or after the operative date of  
38 subsection (dd) of this section, which defines a primary insured and  
39 provides term insurance on the life of the spouse of the primary insured  
40 expiring before the spouse's age seventy-one (71), the cash surrender  
41 value referred to in the first paragraph of this subsection shall be an  
42 amount not less than the sum of the cash surrender value, as defined in

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1 that paragraph, for an otherwise similar policy issued at the same age  
2 without such term insurance on the life of the spouse and the cash  
3 surrender value, as defined in that paragraph, for a policy which  
4 provides only the benefits otherwise provided by such term insurance  
5 on the life of the spouse. Any cash surrender value available within  
6 thirty (30) days after any policy anniversary under any policy paid up  
7 by completion of all premium payments or any policy continued under  
8 any paid-up nonforfeiture benefit, shall be an amount not less than the  
9 present value, on such anniversary, of the future guaranteed benefits  
10 provided for by such paid-up policy (including any existing paid-up  
11 additions) decreased by any indebtedness to the company on account  
12 of or secured by the policy.

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

20 (d) This subsection does not apply to policies issued on or after the  
21 operative date of subsection (dd) of this section. Except as provided in  
22 the third paragraph of this subsection, the adjusted premiums for any  
23 policy shall be calculated on an annual basis and shall be such uniform  
24 percentage of the respective premiums specified in the policy for each  
25 policy year, excluding any extra premiums charged because of  
26 impairments or special hazards, that the present value, at the date of  
27 issue of the policy, of all such adjusted premiums shall be equal to the  
28 sum of (i) the then present value of the future guaranteed benefits  
29 provided for by the policy; (ii) two per cent (2%) of the amount of  
30 insurance, if the insurance be uniform in amount, or of the equivalent  
31 uniform amount, as hereinafter defined, if the amount of insurance  
32 varies with duration of the policy; (iii) forty per cent (40%) of the  
33 adjusted premium for the first policy year; (iv) twenty-five per cent  
34 (25%) of either the adjusted premium for the first policy year or the  
35 adjusted premium for a whole life policy of the same uniform or  
36 equivalent uniform amount with uniform premiums for the whole of  
37 life issued at the same age for the same amount of insurance, whichever  
38 is less; provided that for the sole purpose of computing the amounts of  
39 (iii) and (iv) above, no adjusted premiums in excess of four per cent  
40 (4%) of the amount of insurance or uniform amount equivalent thereto  
41 shall be used.

42 In the case of a policy providing an amount of insurance varying

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

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

27 Except as otherwise provided in the succeeding paragraphs of this  
28 subsection, all adjusted premiums and present values referred to in this  
29 section shall for all policies of ordinary insurance be calculated on the  
30 basis of the Commissioners 1941 Standard Ordinary Mortality Table,  
31 provided, that for any category of ordinary insurance issued on female  
32 risks, adjusted premiums and present values may be calculated  
33 according to an age not more than six (6) years younger than the actual  
34 age of the insured, and such calculations for all policies of industrial  
35 insurance shall be made on the basis of the 1941 Standard Industrial  
36 Mortality Table. All calculations shall be made on the basis of the rate  
37 of interest, not exceeding three and one-half percent (3 1/2%) per  
38 annum, specified in the policy for calculating cash surrender values and  
39 paid-up nonforfeiture benefits; provided that in calculating the present  
40 value of any nonforfeiture benefits consisting of paid-up term insurance  
41 with or without pure endowment of a lesser amount, the rates of  
42 mortality assumed may be not more than one hundred and thirty per

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1 cent (130%) of the rates of the mortality according to such applicable  
2 table; and provided that for insurance issued on a substandard basis,  
3 the calculation of any such adjusted premiums and present values may  
4 be based on such other table or tables of mortality as may be specified  
5 by the company and approved by the department.

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

30 Any company may file with the department a written notice of its  
31 election to invoke the provisions of the preceding paragraph after a  
32 specified date before January 1, 1966. After the filing of such notice,  
33 then upon such specified date (which shall be the operative date of the  
34 preceding paragraph for such company), the preceding paragraph shall  
35 become operative with respect to the ordinary policies issued by such  
36 company and bearing a date of issue which is the same as or later than  
37 such specified date. If a company makes no such election, the operative  
38 date of the preceding paragraph for such company shall be January 1,  
39 1966.

40 In the case of policies of industrial insurance bearing a date of issue  
41 which is the same as or later than the operative date of this paragraph  
42 as defined in the succeeding paragraph, all adjusted premiums and

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1 present values referred to in this section shall be calculated on the basis  
2 of the Commissioners 1961 Standard Industrial Mortality Table and the  
3 rate of interest, specified in the policy for calculating cash surrender  
4 values and paid-up nonforfeiture benefits; provided that such rate of  
5 interest shall not exceed three and one-half percent (3 1/2%) per  
6 annum, except that such rate of interest shall not exceed four percent  
7 (4%) per annum for policies bearing a date of issue of or later than  
8 September 1, 1973 and before September 1, 1979, and the rate of  
9 interest may not exceed five and one-half percent (5 1/2%) per annum  
10 for policies bearing a date of issue after August 31, 1979; provided,  
11 further, that in calculating the present value of any nonforfeiture  
12 benefits consisting of paid-up term insurance with or without pure  
13 endowment of a lesser amount, the rates of mortality assumed may be  
14 not more than those shown in the Commissioners 1961 Industrial  
15 Extended Term Insurance Table; and provided that for insurance issued  
16 on a substandard basis, the calculations of any such adjusted premiums  
17 and present values may be based on such other table or tables of  
18 mortality as may be specified by the company and approved by the  
19 department.

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

30 (dd)(1) This subsection applies to all policies issued on or after the  
31 operative date of this subsection. Except as provided in subdivision (7)  
32 of this subsection, the adjusted premiums for any policy shall be  
33 calculated on an annual basis and shall be such uniform percentage of  
34 the respective premiums specified in the policy for each policy year,  
35 excluding amounts payable as extra premiums to cover impairments or  
36 special hazards and also excluding any uniform annual contract charge  
37 or policy fee specified in the policy in a statement of the method to be  
38 used in calculating the cash surrender values and paid-up nonforfeiture  
39 benefits, that the present value, at the date of issue of the policy, of all  
40 adjusted premiums shall be equal to the sum of (i) the then present  
41 value of the future guaranteed benefits provided for by the policy; (ii)  
42 one percent (1%) of either the amount of insurance, if the insurance be

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1 uniform in amount, or the average amount of insurance at the  
2 beginning of each of the first ten (10) policy years; and (iii) one  
3 hundred twenty-five percent (125%) of the nonforfeiture net level  
4 premium as defined in this subsection. Provided that in applying the  
5 percentage specified in (iii) no nonforfeiture net level premium may be  
6 considered to exceed four percent (4%) of either the amount of  
7 insurance, if the insurance be uniform in amount, or the average  
8 amount of insurance at the beginning of each of the first ten (10) policy  
9 years. The date of issue of a policy for the purpose of this subsection  
10 shall be the date as of which the rated age of the insured is determined.

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

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

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

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

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

13 (A) equals the sum of:

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

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

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

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

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

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1 as defined in this subsection, for policies issued in that calendar year.  
 2 However:  
 3 (A) At the option of the company, calculations for all policies  
 4 issued in a particular calendar year may be made on the basis of  
 5 a rate of interest not exceeding the nonforfeiture interest rate, as  
 6 defined in this subsection, for policies issued in the immediately  
 7 preceding calendar year.  
 8 (B) Under any paid-up nonforfeiture benefit, including any  
 9 paid-up dividend additions, any cash surrender value available,  
 10 whether or not required by subsection (a) of this section, shall be  
 11 calculated on the basis of the mortality table and rate of interest  
 12 used in determining the amount of such paid-up nonforfeiture  
 13 benefit and paid-up dividend additions, if any.  
 14 (C) A company may calculate the amount of any guaranteed  
 15 paid-up nonforfeiture benefit including any paid-up additions  
 16 under the policy on the basis of an interest rate no lower than that  
 17 specified in the policy for calculating cash surrender values.  
 18 (D) In calculating the present value of any paid-up term insurance  
 19 with accompanying pure endowment, if any, offered as a  
 20 nonforfeiture benefit, the rates of mortality assumed may be not  
 21 more than those shown in the Commissioners 1980 Extended  
 22 Term Insurance Table for policies of ordinary insurance and not  
 23 more than the Commissioners 1961 Industrial Extended Term  
 24 Insurance Table for policies of industrial insurance.  
 25 (E) For insurance issued on a substandard basis, the calculation  
 26 of any such adjusted premiums and present values may be based  
 27 on appropriate modifications of the tables referred to in this  
 28 subdivision.  
 29 (F) ~~Any~~ **For policies issued:**  
 30 **(i) before the operative date of the valuation manual**  
 31 **specified in IC 27-1-12.8-34, any commissioners standard**  
 32 **ordinary mortality tables, adopted after 1980 by the National**  
 33 **Association of Insurance Commissioners, that are approved**  
 34 **by regulation promulgated by the commissioner for use in**  
 35 **determining the minimum nonforfeiture standard may be**  
 36 **substituted for the Commissioners 1980 Standard Ordinary**  
 37 **Mortality Table with or without Ten-Year Select Mortality**  
 38 **Factors or for the Commissioners 1980 Extended Term**  
 39 **Insurance Table; or**  
 40 **(ii) on or after the operative date of the valuation manual**  
 41 **specified in IC 27-1-12.8-34, the valuation manual must**  
 42 **provide the commissioners standard ordinary mortality**

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**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:**

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- 1           **(A) For policies issued before the operative date of the**
- 2           **valuation manual specified in IC 27-1-12.8-34**, equal to one
- 3           hundred twenty-five percent (125%) of the calendar year
- 4           statutory valuation interest rate for such policy as ~~defined in~~
- 5           ~~IC 27-1-12-10~~; **under IC 27-1-12.8**, rounded to the nearer one
- 6           quarter of one percent (1/4 of 1%).
- 7           **(B) For policies issued on or after the operative date of the**
- 8           **valuation manual specified in IC 27-1-12.8-34**, the
- 9           **nonforfeiture interest rate per annum for a policy issued in**
- 10          **a particular calendar year must be provided by the**
- 11          **valuation manual.**

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

17           (11) After September 1, 1981, any company may file with the  
 18           commissioner a written notice of its election to comply with the  
 19           provisions of this subsection after a specified date before January 1,  
 20           1989, which shall be the operative date of this subsection for such  
 21           company. If a company makes no such election, the operative date of  
 22           this subsection for such company shall be January 1, 1989.

23           (e) Any cash surrender value and any paid-up nonforfeiture benefit,  
 24           available under the policy in the event of default in a premium payment  
 25           due at any time other than on the policy anniversary, shall be calculated  
 26           with allowance for the lapse of time and the payment of fractional  
 27           premiums beyond the last preceding policy anniversary. All values  
 28           referred to in subsections (b), (c), (d), and (dd) may be calculated upon  
 29           the assumption that any death benefit is payable at the end of the policy  
 30           year of death. The net value of any paid-up additions, other than  
 31           paid-up term additions, shall be not less than the amounts used to  
 32           provide such additions. Notwithstanding the provisions of subsection  
 33           (b), additional benefits payable (1) in the event of death or  
 34           dismemberment by accident or accidental means, (2) in the event of  
 35           total and permanent disability, (3) as reversionary annuity or deferred  
 36           reversionary annuity benefits, (4) as term insurance benefits provided  
 37           by a rider or supplemental policy provision to which, if issued as a  
 38           separate policy, this section would not apply, (5) as term insurance on  
 39           the life of a child or on the lives of children provided in a policy on the  
 40           life of a parent of the child, if such term insurance expires before the  
 41           child's age is twenty-six (26), is uniform in amount after the child's age  
 42           is one (1), and has not become paid up by reason of the death of a

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1 parent of the child, and (6) as other policy benefits additional to life  
 2 insurance and endowment benefits, and premiums for all such  
 3 additional benefits, shall be disregarded in ascertaining cash surrender  
 4 values and nonforfeiture benefits required by this section, and no such  
 5 additional benefits shall be required to be included in any paid-up  
 6 nonforfeiture benefits.

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

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

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

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

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

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

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

40           Any cash surrender value available other than in the event of default  
 41 in a premium payment due on a policy anniversary, and the amount of  
 42 any paid-up nonforfeiture benefit available under the policy in the

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1 event of default in a premium payment shall be determined in manners  
2 consistent with the manners specified for determining the analogous  
3 minimum amounts in subsections (a), (b), (c), (dd), and (e) of this  
4 section. The amounts of any cash surrender values and of any paid-up  
5 nonforfeiture benefits granted in connection with additional benefits  
6 such as those listed as subdivisions (1) through (6) in subsection (e) of  
7 this section shall conform with the principles of this subsection.

8 (h) In the case of any plan of life insurance which provides for  
9 future premium determination, the amounts of which are to be  
10 determined by the insurance company based on then estimates of future  
11 experience, or in the case of any plan of life insurance which is of such  
12 a nature that minimum values cannot be determined by the methods  
13 described in subsections (a), (b), (c), (d), or (dd) of this section then:

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

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

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

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

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

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1 than the above; such policies shall be valued according to such  
 2 higher standard. For the purpose of making such valuation; the  
 3 department may employ an actuary to do the same; who shall be  
 4 paid by the company for which the services are rendered; but  
 5 nothing herein shall prevent any company from making said  
 6 valuation herein contemplated; which may be accepted by the  
 7 department upon such proof as it may determine. The department;  
 8 or anyone representing it, in making any valuation of the policies  
 9 of any life insurance company incorporated under any law of this  
 10 state; for the purpose of ascertaining the net reserve value of  
 11 outstanding policies of any such company; shall compute such net  
 12 reserve value according to the terms of each policy outstanding;  
 13 and should any policy provide that any time covered thereby is  
 14 term insurance; or for a valuation as term insurance for any time  
 15 covered by such policy; the valuation of such policy shall be in  
 16 accordance with any such provision in such policy; but any policy  
 17 issued after March 5, 1909; may provide for not more than one (1)  
 18 year's preliminary term insurance; and if the premium charged for  
 19 term insurance under a limited payment life preliminary term  
 20 policy providing for the payment of less than twenty (20) annual  
 21 premiums or under an endowment preliminary term policy;  
 22 exceeds that charged for life insurance under twenty (20) payment  
 23 life preliminary term policies of the same company; the reserve  
 24 thereon at the end of any year; including the first; shall not be less  
 25 than the reserve on a twenty (20) payment life preliminary term  
 26 policy issued in the same year at the same age; together with an  
 27 amount which shall be equivalent to the accumulation of a net  
 28 level premium sufficient to provide for a pure endowment at the  
 29 end of the premium payment period equal to the difference  
 30 between the value at the end of such period of such a twenty (20)  
 31 payment life preliminary term policy and the full reserve at such  
 32 time of such limited payment life or endowment policy. All  
 33 policies of life insurance; including policies issued on a reducing  
 34 premium plan; or a return premium plan shall be valued according  
 35 to the provisions in this article; except that; in every case in which  
 36 the actual premium charged for an insurance is less than the net  
 37 premium for such insurance; based upon the American Men  
 38 Ultimate Table of Mortality with three and one-half percent ( $3\frac{1}{2}\%$ )  
 39 interest; then and not otherwise the company shall also be  
 40 charged with the value of an annuity; the amount of which shall  
 41 be equal to the difference between the premium charged and the  
 42 net premium for such insurance based upon the American Men

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

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

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

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

19 (e) Any company which at any time shall have adopted any  
20 standard of valuation producing greater aggregate reserves than  
21 those calculated according to the minimum standard provided for  
22 in this section may; with the approval of the department; adopt  
23 any standard of valuation producing lower aggregate reserves; but  
24 not lower in the aggregate than the reserves produced by the  
25 standard or standards specified in its policies.

26 SECTION 5. IC 27-1-12-10 IS REPEALED [EFFECTIVE JULY 1,  
27 2013]. Sec. 10. Policies of life insurance and annuity and pure  
28 endowment contracts bearing dates of issue that are the same as or later  
29 than a transition date to be selected by the company pursuant to section  
30 12 of this chapter; such transition date in no event to be later than  
31 January 1, 1948; and annuities and pure endowments purchased on or  
32 after the operative date provided for in paragraph (i) of subsection (2)  
33 of this section under group annuity and pure endowment contracts  
34 bearing dates of issue prior to such transition date; shall be valued in  
35 accordance with the following methods and standards:

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

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

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

22 (2) Except as otherwise provided in subsections (2)(i) and (2)(j) of  
 23 this section, the minimum standard for the valuation of all such policies  
 24 and contracts shall be the commissioners' reserve valuation method  
 25 defined in subsection (3) of this section; three and one-half percent (3  
 26 1/2%) interest, or four percent (4%) interest in the case of policies and  
 27 contracts, other than annuity and pure endowment contracts, bearing a  
 28 date of issue of or later than September 1, 1973; and before September  
 29 1, 1979; five and one-half percent (5 1/2%) interest for single premium  
 30 life insurance policies; and four and one-half percent (4 1/2%) interest  
 31 for all other policies and contracts issued after August 31, 1979; and  
 32 the following tables:

33 (a) For all ordinary policies of life insurance issued on the standard  
 34 basis, excluding any disability and accidental death benefits in such  
 35 policies—the Commissioners 1941 Standard Ordinary Mortality Table  
 36 for such policies bearing a date of issue prior to the operative date of  
 37 the fifth paragraph of subsection (d) of section 7 of this chapter; the  
 38 Commissioners 1958 Standard Ordinary Mortality Table for such  
 39 policies bearing a date of issue which is the same as or later than the  
 40 operative date of the fifth paragraph of IC 27-1-12-7(d) and prior to the  
 41 operative date of IC 27-1-12-7(dd); provided, that for any category of  
 42 such policies issued on female risks all modified net premiums and



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1 present values referred to in this section may be calculated according  
 2 to an age not more than six (6) years younger than the actual age of the  
 3 insured; and for such policies issued on or after the operative date of  
 4 IC 27-1-12-7(dd): (i) the Commissioners 1980 Standard Ordinary  
 5 Mortality Table; or (ii) at the election of the company for any one (1)  
 6 or more specified plans of life insurance; the Commissioners 1980  
 7 Standard Ordinary Mortality Table with Ten-Year Select Mortality  
 8 Factors; or (iii) any ordinary mortality table; adopted after 1980 by the  
 9 National Association of Insurance Commissioners; that is approved by  
 10 rule promulgated by the department for use in determining the  
 11 minimum standard of valuation for such policies.

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

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

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

35 (e) For total and permanent disability benefits in or supplementary  
 36 to ordinary policies or contracts for such policies or contracts bearing  
 37 a date of issue of or later than January 1, 1966; the tables of Period 2  
 38 disablement rates and the 1930 to 1950 termination rates of the 1952  
 39 Disability Study of the Society of Actuaries; with due regard to the type  
 40 of benefit or any tables of disablement rates and termination rates;  
 41 adopted after 1980 by the National Association of Insurance  
 42 Commissioners; that are approved by rule promulgated by the



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

9 (f) For accidental death benefits in or supplementary to ordinary and  
 10 industrial policies—for such policies bearing a date of issue of or later  
 11 than January 1, 1966, the 1959 Accidental Death Benefits Table or any  
 12 accidental death benefits table, adopted after 1980 by the National  
 13 Association of Insurance Commissioners, that is approved by rule  
 14 promulgated by the commissioner for use in determining the minimum  
 15 standard of valuation for such policies; for such policies bearing a date  
 16 of issue of or later than January 1, 1961, and prior to January 1, 1966,  
 17 either such table or, at the option of the company, the Inter-Company  
 18 Double Indemnity Mortality Table; and for such policies bearing a date  
 19 of issue prior to January 1, 1961, the Inter-Company Double Indemnity  
 20 Mortality Table. Either table shall be combined with a mortality table  
 21 permitted for calculating the reserves for life insurance policies.

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

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

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

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

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

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

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

24 (iv) For all annuities and pure endowments purchased after  
 25 August 31, 1979; under group annuity and pure endowment  
 26 contracts; excluding any disability and accidental death benefits  
 27 purchased under such contracts; the 1971 Group Annuity  
 28 Mortality Table; or any group annuity mortality table; adopted  
 29 after 1980 by the National Association of Insurance  
 30 Commissioners; that is approved by rule promulgated by the  
 31 department for use in determining the minimum standard of  
 32 valuation for such annuities and pure endowments; or any  
 33 modification of these tables approved by the department; and  
 34 seven and one-half percent ( $7\frac{1}{2}\%$ ) interest.

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



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1 company shall be January 1, 1979:

2 (j)(A) Applicability of this Subsection

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

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

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

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

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

16 (B) Calendar Year Statutory Valuation Interest Rates

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

20 (a) For life insurance;

$$21 \quad I = .03 + W(R1 - .03) + W/2(R2 - .09)$$

22 (b) For single premium immediate annuities and for annuity benefits  
23 involving life contingencies arising from other annuities with cash  
24 settlement options and from guaranteed interest contracts with cash  
25 settlement options;

$$26 \quad I = .03 + W(R - .03)$$

27 where  $R1$  is the lesser of  $R$  and  $.09$ ;

28  $R2$  is the greater of  $R$  and  $.09$ ;

29  $R$  is the reference interest rate defined in this subsection; and  $W$  is  
30 the weighting factor defined in this subsection.

31 (c) For other annuities with cash settlement options and guaranteed  
32 interest contracts with cash settlement options, valued on an issue year  
33 basis, except as stated in (b) above; the formula for life insurance stated  
34 in (a) above shall apply to annuities and guaranteed interest contracts  
35 with guarantee durations in excess of ten (10) years and the formula for  
36 single premium immediate annuities stated in (b) above shall apply to  
37 annuities and guaranteed interest contracts with guarantee duration of  
38 ten (10) years or less.

39 (d) For other annuities with no cash settlement options and for  
40 guaranteed interest contracts with no cash settlement options; the  
41 formula for single premium immediate annuities stated in (b) above  
42 shall not apply.



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(e) 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:

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

3 Guarantee	4 Weighting Factor		
	5 For Plan Type		
6 (Years)	A	B	C
7 5 or less:	.80	.60	.50
8 More than 5, but not			
9 more than 10:	.75	.60	.50
10 More than 10, but not			
11 more than 20:	.65	.50	.45
12 More than 20:	.45	.35	.35

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

15 Plan Type		
A	B	C
16 .15	.25	.05

17 (iii) For annuities and guaranteed interest contracts valued on an  
 18 issue year basis (other than those with no cash settlement options)  
 19 which do not guarantee interest on considerations received more than  
 20 one (1) year after issue or purchase and for annuities and guaranteed  
 21 interest contracts valued on a change in fund basis which do not  
 22 guarantee interest rates on considerations received more than twelve  
 23 (12) months beyond the valuation date; the factors shown in (i) or  
 24 derived in (ii) increased by:

25 Plan Type		
A	B	C
26 .05	.05	.05

27 (iv) For other annuities with cash settlement options and guaranteed  
 28 interest contracts with cash settlement options; the guaranteed duration  
 29 is the number of years for which the contract guarantees interest rates  
 30 in excess of the calendar year statutory valuation interest rate for life  
 31 insurance policies with guarantee duration in excess of twenty (20)  
 32 years. For other annuities with no cash settlement options and for  
 33 guaranteed interest contracts with no cash settlement options; the  
 34 guarantee duration is the number of years from the date of issue or date  
 35 of purchase to the date annuity benefits are scheduled to commence.

36 (v) Plan type as used in the above tables is defined as follows:  
 37 Plan Type A: At any time policyholder may withdraw funds only (1)  
 38 with an adjustment to reflect changes in interest rates or asset values  
 39 since receipt of the funds by the insurance company; or (2) without  
 40 such adjustment but in installments over five (5) years or more; or (3)  
 41 as an immediate life annuity; or (4) no withdrawal permitted.  
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1 Plan Type B: Before expiration of the interest rate guarantee;  
 2 policyholder may withdraw funds only (1) with adjustment to reflect  
 3 changes in interest rates or asset values since receipt of the funds by the  
 4 insurance company; or (2) without such adjustment but in installments  
 5 over five (5) years or more; or (3) no withdrawal permitted. At the end  
 6 of interest rate guarantee, funds may be withdrawn without such  
 7 adjustment in a single sum or installments over less than five (5) years.

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

14 (vi) A company may elect to value guaranteed interest contracts  
 15 with cash settlement options and annuities with cash settlement options  
 16 on either an issue year basis or on a change in fund basis. Guaranteed  
 17 interest contracts with no cash settlement options and other annuities  
 18 with no cash settlement options must be valued on an issue year basis.  
 19 As used in this section, an issue year basis of valuation refers to a  
 20 valuation basis under which the interest rate used to determine the  
 21 minimum valuation standard for the entire duration of the annuity or  
 22 guaranteed interest contract is the calendar year valuation interest rate  
 23 for the year of issue or year of purchase of the annuity or guaranteed  
 24 interest contract; and the change in fund basis of valuation refers to a  
 25 valuation basis under which the interest rate used to determine the  
 26 minimum valuation standard applicable to each change in the fund held  
 27 under the annuity or guaranteed interest contract is the calendar year  
 28 valuation interest rate for the year of the change in fund.

29 (D) Reference Interest Rate

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

32 (a) For all life insurance, the lesser of the average over a period of  
 33 thirty-six (36) months and the average over a period of twelve (12)  
 34 months, ending on June 30 of the calendar year next preceding the year  
 35 of issue; of Moody's Corporate Bond Yield Average-Monthly Average  
 36 Corporates, as published by Moody's Investors Service, Inc.

37 (b) For single premium immediate annuities and for annuity benefits  
 38 involving life contingencies arising from other annuities with cash  
 39 settlement options and guaranteed interest contracts with cash  
 40 settlement options; the average over a period of twelve (12) months,  
 41 ending on June 30 of the calendar year of issue or year of purchase of  
 42 Moody's Corporate Bond Yield Average-Monthly Average Corporates;



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1 as published by Moody's Investors Service, Inc.

2 (c) For other annuities with cash settlement options and guaranteed  
3 interest contracts with cash settlement options; valued on a year of  
4 issue basis; except as stated in (b) above; with guarantee duration in  
5 excess of ten (10) years; the lesser of the average over a period of  
6 thirty-six (36) months and the average over a period of twelve (12)  
7 months; ending on June 30 of the calendar year of issue or purchase; of  
8 Moody's Corporate Bond Yield Average-Monthly Average Corporates;  
9 as published by Moody's Investors Service, Inc.

10 (d) For other annuities with cash settlement options and guaranteed  
11 interest contracts with cash settlement options; valued on a year of  
12 issue basis; except as stated in (b) above; with guarantee duration of ten  
13 (10) years or less; the average over a period of twelve (12) months;  
14 ending on June 30 of the calendar year of issue or purchase; of Moody's  
15 Corporate Bond Yield Average-Monthly Average Corporates; as  
16 published by Moody's Investors Service, Inc.

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

23 (f) For other annuities with cash settlement options and guaranteed  
24 interest contracts with cash settlement options; valued on a change in  
25 fund basis; except as stated in (b) above; the average over a period of  
26 twelve (12) months; ending on June 30 of the calendar year of the  
27 change in the fund; of Moody's Corporate Bond Yield  
28 Average-Monthly Average Corporates; as published by Moody's  
29 Investors Service, Inc.

30 (E) Alternative Method for Determining Reference Interest Rates

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

41 (3) Reserves according to the commissioners' reserve valuation  
42 method; for life insurance and endowment benefits of policies

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1 providing for a uniform amount of insurance and requiring the payment  
 2 of uniform premiums; shall be the excess, if any, of the present value;  
 3 at the date of valuation, of such future guaranteed benefits provided for  
 4 by such policies; over the then present value of any future modified net  
 5 premiums therefor. The modified net premiums for any such benefits  
 6 shall be such uniform percentage of the respective contract premiums  
 7 for such benefits; excluding any extra premiums charged because of  
 8 impairments or special hazards; that the present value, at the date of  
 9 issue of the policy, of all such modified net premiums shall be equal to  
 10 the sum of the then present value of such benefits provided for by the  
 11 policy and the excess of (a) over (b); as follows:

12 (a) A net level annual premium equal to the present value, at the  
 13 date of issue, of such benefits provided for after the first policy year;  
 14 divided by the present value, at the date of issue, of an annuity of one  
 15 (1) per annum payable on the first and each subsequent anniversary of  
 16 such policy on which a premium falls due; provided that such net level  
 17 annual premium shall not exceed the net level annual premium on the  
 18 nineteen (19) year premium whole life plan for insurance of the same  
 19 amount at an age one (1) year higher than the age at issue of such  
 20 policy.

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

23 Provided that for any life insurance policy issued on or after January  
 24 1, 1985, for which the contract premium in the first policy year exceeds  
 25 that of the second year and for which no comparable additional benefit  
 26 is provided in the first year for such excess and which provides an  
 27 endowment benefit or a cash surrender value or a combination thereof  
 28 in an amount greater than such excess premium, the reserve according  
 29 to the commissioners' reserve valuation method as of any policy  
 30 anniversary occurring on or before the assumed ending date defined  
 31 herein as the first policy anniversary on which the sum of any  
 32 endowment benefit and any cash surrender value then available is  
 33 greater than such excess premium shall, except as otherwise provided  
 34 in subsection (6) of this section, be the greater of the reserve as of such  
 35 policy anniversary calculated as described in the preceding paragraph  
 36 and the reserve as of such policy anniversary calculated as described  
 37 in that paragraph; but with (i) the value defined in subparagraph (a) of  
 38 that paragraph being reduced by fifteen percent (15%) of the amount  
 39 of such excess first year premium, (ii) all present values of benefits and  
 40 premiums being determined without reference to premiums or benefits  
 41 provided for by the policy after the assumed ending date, (iii) the policy  
 42 being assumed to mature on such date as an endowment; and (iv) the



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1 cash surrender value provided on such date being considered as an  
 2 endowment benefit. In making the above comparison, the mortality and  
 3 interest bases stated in paragraphs (a) through (h) and paragraph (j) of  
 4 subsection (2) of this section shall be used.

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

20 This paragraph applies to all annuity and pure endowment contracts  
 21 other than group annuity and pure endowment contracts purchased  
 22 under a retirement plan or plan of deferred compensation, established  
 23 or maintained by an employer, including a partnership or sole  
 24 proprietorship; or by an employee organization; or by both; other than  
 25 a plan providing individual retirement accounts or individual  
 26 retirement annuities under Section 408 of the Internal Revenue Code.  
 27 Reserves according to the commissioners' annuity reserve method for  
 28 benefits under annuity or pure endowment contracts, excluding any  
 29 disability and accidental death benefits in those contracts, is the  
 30 greatest of the respective excesses of present values, at the date of  
 31 valuation, of future guaranteed benefits, including guaranteed  
 32 nonforfeiture benefits, provided for by the terms of those contracts at  
 33 the end of each respective contract year, over the present value, at the  
 34 date of valuation, of any future valuation considerations derived from  
 35 future gross considerations, required by the terms of the contract, that  
 36 become payable before the end of each contract year. The future  
 37 guaranteed benefits shall be determined by using the mortality table, if  
 38 any, and the interest rate, or rates, specified in the contract for  
 39 determining guaranteed benefits. The valuation considerations are the  
 40 portions of the respective gross considerations applied under the terms  
 41 of those contracts to determine nonforfeiture values.

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

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

10 (5) Reserves for any category of policies, contracts, or benefits as  
 11 may be determined by the company and approved by the department  
 12 may be calculated at the option of the company according to any  
 13 standards which produce greater aggregate reserves for such category  
 14 than those calculated according to the minimum standard established  
 15 by this section; but the rate or rates of interest used shall not be higher  
 16 than the corresponding rate or rates of interest used in calculating any  
 17 nonforfeiture benefits in such policies, contracts, or benefits.

18 Any company which at any time shall have adopted any standard of  
 19 valuation producing greater aggregate reserves than those calculated  
 20 according to the minimum standard provided for in this section may,  
 21 with the approval of the department, adopt any standard of valuation  
 22 producing lower aggregate reserves; but not lower in the aggregate than  
 23 the reserves produced by the minimum standard specified in this  
 24 section.

25 (6) If in any contract year the gross premium charged by any life  
 26 insurance company on any policy or contract is less than the valuation  
 27 net premium for the policy or contract calculated by the method used  
 28 in calculating the reserve thereon but using the minimum valuation  
 29 standards of mortality and rate of interest, the minimum reserve  
 30 required for that policy or contract shall be the greater of:

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

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

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

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

15 (7) In the case of any plan of life insurance which provides for  
 16 future premium determination; the amounts of which are to be  
 17 determined by the insurance company based on then estimates of future  
 18 experience; or in the case of any plan of life insurance or annuity which  
 19 is of such a nature that the minimum reserves cannot be determined by  
 20 the methods described in subsections (3) and (6) of this section; the  
 21 reserves which are held under any such plan must:

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

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

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

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

37 (1) are computed appropriately;

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

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

40 (4) comply with applicable laws of Indiana.

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

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

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

14 (1) the benefits under; and

15 (2) the expenses associated with;

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

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

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

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

32 (2) If:

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

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

42 the commissioner may engage a qualified actuary at the expense

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1 of the life insurance company to review the opinion and the basis  
 2 for the opinion and to prepare a supporting memorandum; if a  
 3 supporting memorandum is required by the commissioner.

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

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

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

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

17 (4) In the case of an opinion required to be submitted by a foreign  
 18 or an alien life insurance company, the commissioner may accept  
 19 the opinion filed by that company with the insurance supervisory  
 20 official of another state if the commissioner determines that the  
 21 opinion reasonably meets the requirements applicable to a  
 22 company domiciled in Indiana.

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

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

28 (2) the commissioner;

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

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

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

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

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

42 (3) are not subject to subpoena;

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1 other than for the purpose of defending an action seeking damages  
 2 from any person by reason of any action required by this section or  
 3 rules adopted under this section:

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

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

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

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

13 (B) sets forth procedures satisfactory to the commissioner for  
 14 preserving the confidentiality of the memorandum or other  
 15 material:

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

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

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

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

23 all portions of the memorandum are no longer confidential:

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

26 SECTION 7. IC 27-1-12-11, AS AMENDED BY P.L.81-2012,  
 27 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 28 JULY 1, 2013]: Sec. 11. (a) After the department has ascertained the  
 29 net reserve value of all policies (as defined in section 9 of this chapter)  
 30 **under IC 27-1-12.8-18** or the reserve liabilities (as defined in section  
 31 ~~10 of this chapter~~ **under IC 27-1-12.8** of any life insurance company  
 32 organized and doing business in this state, the department shall notify  
 33 said company of the amount or amounts thereof. Within sixty (60) days  
 34 after the date of such notification, the officers of such company shall  
 35 deposit with the department, solely for the security and benefit of all its  
 36 policyholders, assets in an amount, invested in accordance with section  
 37 2 of this chapter (except paragraph 20 of section 2(b) of this chapter)  
 38 which together with the assets already deposited with the department  
 39 and such additional assets as may be deposited by said company with  
 40 other states or governments, pursuant to the requirements of the laws  
 41 of such other states or governments in which said company is doing  
 42 business, shall be not less than the lesser of the amount of such reserve

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1 value or reserve liabilities or the amount provided under subsection (f).  
 2 No life insurance company organized under this article or any other law  
 3 of this state shall be required to make such deposit until the amount  
 4 prescribed by this subsection exceeds the amount deposited by said  
 5 company under IC 27-1-6-14 or IC 27-1-6-15. Investments in real  
 6 estate shall be deposited in the form of satisfactory evidences of  
 7 ownership. The deposit requirement in relation to policy loans and  
 8 bank deposits shall be considered fulfilled by the inclusion of such item  
 9 in the company's annual statement, but subject to the right of the  
 10 company at any time, and the obligation of the company on demand of  
 11 the department, to file with the department a certificate as to the  
 12 amount of such item.

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

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

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

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



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1 otherwise be subject to this section.

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

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

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

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

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

20 (B) the amount of the assets of the company in any category;  
21 calculated under the rules applied for annual statement purposes.

22 SECTION 8. IC 27-1-12-12 IS AMENDED TO READ AS  
23 FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 12. The period  
24 beginning July 1, 1943, and ending January 1, 1948, both dates  
25 inclusive, shall be a transition period between the nonforfeiture  
26 provisions set forth respectively in sections 5, 6, and 7 of this chapter  
27 and between the valuation provisions set forth respectively in ~~sections~~  
28 **9 and 10 of this chapter IC 27-1-12.8-18 and IC 27-1-12.8-19 through**  
29 **IC 27-1-12.8-40.** Accordingly, a company may, by means of a writing  
30 filed with the department, select a transition date within such period,  
31 but should a company fail to make such a selection, the transition date  
32 as to such company shall be January 1, 1948. Except as otherwise  
33 provided in ~~section 10 of this chapter IC 27-1-12.8~~, for group annuities  
34 and pure endowments, policies issued prior to the transition date shall  
35 be governed in all respects and at all times by ~~sections~~ **section 5 and 9**  
36 **of this chapter and IC 27-1-12.8-18**, and policies issued on or after  
37 such transition date shall be governed in all respects and at all times by  
38 sections ~~6 and 7 and 10 of this chapter and IC 27-1-12.8~~. A company's  
39 election of a transition date shall be irrevocable and shall apply to  
40 sections ~~6 and 7 and 10 of this chapter and IC 27-1-12.8~~ without  
41 exception, as well as to that portion of section 31 of this chapter which  
42 relates to policies bearing a date of issue later than such transition date.



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1 SECTION 9. IC 27-1-12-31 IS AMENDED TO READ AS  
 2 FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 31. Any life insurance  
 3 company may issue life or endowment insurance, with or without  
 4 annuities, upon the group plan as defined in this chapter, with special  
 5 rates of premiums less than the usual rates of premiums for such  
 6 policies, and may value such policies on any accepted table of mortality  
 7 and interest assumption adopted by the company for that purpose,  
 8 provided, that in no case shall such standard be lower than the  
 9 American Men Table of Mortality (ultimate) with interest assumption  
 10 at three and one-half percent (3 1/2%) in the case of policies issued  
 11 before the transition date selected by the company pursuant to section  
 12 12 of this chapter, nor lower than the standard prescribed in ~~section~~  
 13 ~~10(2)(g) of this chapter~~ **IC 27-1-12.8** in the case of policies issued on  
 14 and after such transition date. All policies of group insurance shall be  
 15 segregated by the company into a separate class, the mortality  
 16 experience kept separate, and the number of policies, amount of  
 17 insurance, reserves, premiums, and payments to policyholders  
 18 thereunder, together with the mortality table and interest assumption  
 19 adopted by the company shall be reported separately in the company's  
 20 annual financial statement.

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

24 **Chapter 12.8. Standard Valuation Law**

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

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

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

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



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1 opinion required by section 23 of this chapter.

2       **Sec. 3. As used in this chapter, "change in fund basis" refers to**  
 3 **a valuation basis under which the interest rate used to determine**  
 4 **the minimum valuation standard applicable to each change in the**  
 5 **fund held under an annuity or a guaranteed interest contract is the**  
 6 **calendar year valuation interest rate for the year of the change in**  
 7 **the fund.**

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

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

11       **(A) policy of insurance described in Class 1(a) or Class**  
 12 **1(c)(1) of IC 27-1-5-1; or**

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

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

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

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

24       **(1) A supporting memorandum submitted under section 21,**  
 25 **22, or 23 of this chapter and any other documents, materials,**  
 26 **and other information, including all working papers and**  
 27 **copies of working papers that are created, produced, or**  
 28 **obtained by or disclosed to the commissioner or another**  
 29 **person in connection with the supporting memorandum.**

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



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1 (3) A report, document, material, or other information  
 2 developed by a company in support of or in connection with  
 3 an annual certification by the company under section 35(c)(2)  
 4 of this chapter evaluating the effectiveness of the company's  
 5 internal controls with respect to a principle based valuation  
 6 and any other document, material, or other information,  
 7 including all working papers and copies of working papers  
 8 that are created, produced, or obtained by or disclosed to the  
 9 commissioner or another person in connection with the  
 10 report, document, material, or other information.

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

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

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

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

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

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

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

- 39 (1) lapse;  
 40 (2) withdrawal;  
 41 (3) transfer;  
 42 (4) deposit;



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- 1           (5) premium payment;  
 2           (6) loan;  
 3           (7) annuitization;  
 4           (8) benefit elections; and  
 5           (9) other options;  
 6 under the contract.
- 7           (b) As used in this chapter, "contractholder behavior" does not  
 8 include events of mortality or morbidity resulting in benefits  
 9 prescribed according to the terms of the contract.
- 10          Sec. 8. (a) Before the operative date of the valuation manual  
 11 specified in section 34 of this chapter, as used in this chapter,  
 12 "deposit type contract" means a contract that does not incorporate  
 13 mortality or morbidity risk.
- 14          (b) On and after the operative date of the valuation manual  
 15 specified in section 34 of this chapter, as used in this chapter,  
 16 "deposit type contract" means a contract that does not incorporate  
 17 mortality or morbidity risk and as may be specified in the  
 18 valuation manual.
- 19          Sec. 9. As used in this chapter, "issue year basis" refers to a  
 20 valuation basis under which the interest rate used to determine the  
 21 minimum valuation standard for the entire duration of an annuity  
 22 or a guaranteed interest contract is the calendar year valuation  
 23 interest rate for the year of issue or year of purchase of the annuity  
 24 or guaranteed interest contract.
- 25          Sec. 10. (a) Before the operative date of the valuation manual  
 26 specified in section 34 of this chapter, as used in this chapter, "life  
 27 insurance" means insurance under a contract that incorporates  
 28 mortality risk, including annuity and pure endowment contracts.
- 29          (b) On and after the operative date of the valuation manual  
 30 specified in section 34 of this chapter, as used in this chapter, "life  
 31 insurance" means insurance under a contract that incorporates  
 32 mortality risk, including annuity and pure endowment contracts,  
 33 and as may be specified in the valuation manual.
- 34          Sec. 11. As used in this chapter, "NAIC" refers to the National  
 35 Association of Insurance Commissioners.
- 36          Sec. 12. As used in this chapter, "plan type" refers to the  
 37 following:
- 38           (1) "Plan Type A" means a plan type for which a  
 39 contractholder:  
 40           (A) may not withdraw funds; or  
 41           (B) at any time may withdraw funds only:  
 42           (i) with an adjustment to reflect changes in interest rates

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- 1 or asset values occurring after receipt of the funds by the  
 2 company;  
 3 (ii) without an adjustment, but with installments over at  
 4 least five (5) years; or  
 5 (iii) as an immediate life annuity.
- 6 (2) "Plan Type B" means a plan type for which:  
 7 (A) before expiration of the interest rate guarantee, a  
 8 contractholder may not withdraw funds, or may withdraw  
 9 funds only:  
 10 (i) with an adjustment to reflect changes in interest rates  
 11 or asset values occurring after receipt of the funds by the  
 12 company; or  
 13 (ii) without an adjustment, but in installments over at  
 14 least five (5) years; and  
 15 (B) at the expiration of the interest rate guarantee, funds  
 16 may be withdrawn without an adjustment in a single sum  
 17 or installments over less than five (5) years.
- 18 (3) "Plan Type C" means a plan type for which a  
 19 contractholder may withdraw funds before expiration of the  
 20 interest rate guarantee in a single sum or installments over  
 21 less than five (5) years:  
 22 (A) without adjustment to reflect changes in interest rates  
 23 or asset values occurring after receipt of the funds by the  
 24 company; or  
 25 (B) subject only to a fixed surrender charge stipulated in  
 26 the contract as a percentage of the fund.
- 27 Sec. 13. On and after the operative date of the valuation manual  
 28 specified in section 34 of this chapter, as used in this chapter,  
 29 "principal based valuation" means a reserve valuation that:  
 30 (1) uses at least one (1) method or assumption determined by  
 31 the insurer; and  
 32 (2) is required to comply with section 35 of this chapter as  
 33 specified in the valuation manual.
- 34 Sec. 14. (a) Before the operative date of the valuation manual  
 35 specified in section 34 of this chapter, as used in this chapter,  
 36 "qualified actuary" means an individual who is qualified to sign  
 37 the applicable statement of actuarial opinion in accordance with  
 38 the American Academy of Actuaries qualification standards.
- 39 (b) On and after the operative date of the valuation manual  
 40 specified in section 34 of this chapter, as used in this chapter,  
 41 "qualified actuary" means an individual who:  
 42 (1) is qualified to sign the applicable statement of actuarial

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- 1           opinion in accordance with the American Academy of  
2           Actuaries qualification standards; and  
3           (2) meets the requirements specified in the valuation manual.
- 4           **Sec. 15.** As used in this chapter, "reserves" means reserve  
5           liabilities.
- 6           **Sec. 16.** As used in this chapter, "tail risk" means a risk that  
7           occurs where:  
8           (1) the frequency of low probability events is higher than  
9           expected under a normal probability distribution; or  
10          (2) there are observed events of very significant size or  
11          magnitude.
- 12          **Sec. 17.** As used in this chapter, "valuation manual" refers to  
13          the manual of valuation instructions adopted by the NAIC.
- 14          **Sec. 18.** (a) Contracts of life insurance bearing dates of issue  
15          that are earlier than a transition date selected by the company  
16          under IC 27-1-12-12, the transition date in no event to be later than  
17          January 1, 1948, must be valued in accordance with the following:  
18          (1) As soon as practicable after the filing with the department  
19          under IC 27-1-20-21 of the annual statement of a company  
20          organized under this article or under another law of this state  
21          and doing business in Indiana, the department shall ascertain  
22          the net reserve value of each contract in force on the  
23          immediately preceding December 31, on the basis of:  
24          (A) the American Experience Table of Mortality and four  
25          percent (4%) interest; or  
26          (B) the Actuaries' Combined Experience Table of  
27          Mortality and four percent (4%) interest;  
28          as adopted by the company. However, if the company issues  
29          a contract based on a higher standard than the standards  
30          described in clauses (A) and (B), the contract must be valued  
31          according to the higher standard. The department may hire,  
32          at the company's expense, an actuary to make the valuation  
33          or the department may accept a valuation made by the  
34          company, as determined by the department.
- 35          (2) In making a valuation under subdivision (1), the  
36          department or a representative of the department shall  
37          compute the net reserve value according to the terms of the  
38          contract. If a contract provides term insurance, or for a  
39          valuation as term insurance for any time covered by the  
40          contract, the valuation of the contract must be in accordance  
41          with the provision in the contract. However, a contract issued  
42          after March 5, 1909:



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- 1 (A) may provide for not more than one (1) year of  
 2 preliminary term insurance; and  
 3 (B) if the premium charged for term insurance under:  
 4 (i) a limited payment life preliminary term contract  
 5 providing for the payment of less than twenty (20)  
 6 annual premiums; or  
 7 (ii) an endowment preliminary term contract;  
 8 exceeds the premium charged for life insurance under  
 9 twenty (20) payment life preliminary term contracts of the  
 10 same company, the reserve on the contract at the end of  
 11 any year, including the first, must not be less than the  
 12 reserve on a twenty (20) payment life preliminary term  
 13 contract issued in the same year at the same age, together  
 14 with an amount that is equivalent to the accumulation of a  
 15 net level premium sufficient to provide for a pure  
 16 endowment at the end of the premium payment period  
 17 equal to the difference between the value at the end of the  
 18 period of the twenty (20) payment life preliminary term  
 19 contract and the full reserve at the time of the limited  
 20 payment life or endowment contract.
- 21 (3) All contracts of life insurance, including contracts issued  
 22 on a reducing premium plan or a return premium plan, must  
 23 be valued according to this article. However, if the actual  
 24 premium charged for an insurance contract is less than the  
 25 net premium for the insurance contract, based on the  
 26 American Men Ultimate Table of Mortality with three and  
 27 one-half percent (3 1/2%) interest, the company must also  
 28 establish an additional reserve equal to the value of an  
 29 annuity, the amount of which must be equal to the difference  
 30 between the premium charged and the net premium for  
 31 insurance based on the American Men Ultimate Table with  
 32 three and one-half percent (3 1/2%) interest and a term in  
 33 years that is equal to the number of future annual payments  
 34 due on the insurance at the date of valuation.
- 35 (4) Insurance against permanent mental or physical disability  
 36 resulting from accident or disease or against accidental death,  
 37 combined with a contract of life insurance, must be valued on  
 38 a basis of fifty percent (50%) of the additional annual  
 39 premium charged for the insurance.
- 40 (5) The department may at any time during the year ascertain  
 41 the net reserve value of the contracts of a company, as  
 42 provided in this section, to determine the solvency of the

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- 1 company.
- 2 (6) Reserves may be calculated, at the option of the company,  
3 according to standards that produce greater aggregate  
4 reserves for all contracts than the reserves produced by the  
5 standard specified in this section.
- 6 (7) A company that has adopted a standard of valuation  
7 producing greater aggregate reserves than the aggregate  
8 reserves calculated according to the minimum standard  
9 provided for in this section may, with the approval of the  
10 department, adopt a standard of valuation producing lower  
11 aggregate reserves, but not lower in the aggregate than the  
12 reserves produced by the standard specified in the company's  
13 contracts.
- 14 (b) Subsection (a)(1) through (a)(3) applies only to the valuation  
15 of life insurance contracts.
- 16 Sec. 19. (a) The commissioner shall annually value or cause to  
17 be valued the reserves for all outstanding life insurance contracts  
18 and annuity and pure endowment contracts:
- 19 (1) of each company doing business in Indiana; and  
20 (2) issued on or after the transition date selected by the  
21 company under IC 27-1-12-12, the transition date in no event  
22 to be later than January 1, 1948, and before the operative date  
23 of the valuation manual.
- 24 (b) In calculating reserves, the commissioner may use group  
25 methods and approximate averages for fractions of a year or  
26 otherwise. In lieu of the valuation of the reserves required of a  
27 foreign or alien company, the commissioner may accept a valuation  
28 made, or caused to be made, by the insurance supervisory official  
29 of another state or jurisdiction when the valuation complies with  
30 the minimum standard provided in sections 19 through 40 of this  
31 chapter.
- 32 (c) Sections:
- 33 (1) 24 through 33 of this chapter apply to all contracts, as  
34 appropriate, issued on or after the transition date selected by  
35 a company under IC 27-1-12-12, the transition date in no  
36 event to be later than January 1, 1948, and before the  
37 operative date of the valuation manual; and  
38 (2) 34 and 35 of this chapter do not apply to contracts  
39 described in subdivision (1).
- 40 (d) The minimum standard for the valuation of contracts issued  
41 before the transition date selected by a company under  
42 IC 27-1-12-12, the transition date in no event to be later than

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

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

7 (1) of each company; and

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

10 In lieu of the valuation of the reserves required of a foreign or alien  
11 company, the commissioner may accept a valuation made, or  
12 caused to be made, by the insurance supervisory official of another  
13 state or jurisdiction if the valuation complies with the minimum  
14 standards provided in sections 19 through 40 of this chapter.

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

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

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

24 (1) are computed appropriately;

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

27 (3) are consistent with previously reported amounts; and

28 (4) comply with applicable laws of the state.

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

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

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

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

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

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

- 4 (1) the benefits under;  
 5 (2) the expenses associated with; and  
 6 (3) any other obligations under;

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

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

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

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

23 (2) If:

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

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

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

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

39 (1) The opinion must:

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

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

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- 1 after December 31, 1994.
- 2 (2) The opinion must:
- 3 (A) apply to all business in force, including individual and
- 4 group accident and sickness insurance contracts; and
- 5 (B) meet all requirements concerning form and content
- 6 established by the commissioner in rules adopted under
- 7 IC 4-22-2.
- 8 (3) The opinion must be based on:
- 9 (A) standards adopted by the Actuarial Standards Board;
- 10 and
- 11 (B) additional standards prescribed by the commissioner
- 12 in rules adopted under IC 4-22-2.
- 13 (4) In the case of an opinion required to be submitted by a
- 14 foreign or alien company, the commissioner may accept the
- 15 opinion filed by the foreign or alien company with the
- 16 insurance supervisory official of another state if the
- 17 commissioner determines that the opinion reasonably meets
- 18 the requirements applicable to a company domiciled in
- 19 Indiana.
- 20 (h) Except in cases of fraud or willful misconduct, a qualified
- 21 actuary who provides an opinion required by this section is not
- 22 liable for damages to a person other than:
- 23 (1) the company for which the opinion is offered; and
- 24 (2) the commissioner;
- 25 for any act, error, omission, decision, or conduct with respect to
- 26 the actuary's opinion.
- 27 Sec. 22. (a) This section applies before the operative date of the
- 28 valuation manual.
- 29 (b) Except as otherwise provided in this section, a supporting
- 30 memorandum submitted by a company as required by section 21
- 31 of this chapter and material provided to the commissioner by the
- 32 company in connection with the supporting memorandum:
- 33 (1) are confidential;
- 34 (2) are not subject to subpoena; and
- 35 (3) are not subject to discovery or admissible in evidence in a
- 36 private civil action.
- 37 However, the commissioner may use the materials and information
- 38 in connection with a regulatory or legal action brought as part of
- 39 the commissioner's duties.
- 40 (c) The commissioner, or a person receiving documents,
- 41 materials, or other information while acting under the authority of
- 42 the commissioner, is not permitted or required to testify in a

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

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

- 6 (1) other state, federal, and international regulatory agencies;
- 7 (2) the NAIC and affiliates and subsidiaries of the NAIC; and
- 8 (3) state, federal, and international law enforcement  
9 authorities;

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

12 (e) The commissioner:

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

- 16 (A) other state, federal, and international regulatory  
17 agencies;
- 18 (B) the NAIC and affiliates and subsidiaries of the NAIC;  
19 and
- 20 (C) other state, federal, and international law enforcement  
21 authorities;

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

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

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

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

- 39 (1) be subject to subpoena to defend an action seeking  
40 damages from the actuary who submitted the supporting  
41 memorandum under section 21 of this chapter; and
- 42 (2) be released by the commissioner:

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- 1 (A) with the written consent of the company; or
- 2 (B) to the American Academy of Actuaries in response to
- 3 a written request that:
- 4 (i) states that the memorandum or other material is
- 5 required for the purpose of professional disciplinary
- 6 proceedings; and
- 7 (ii) sets forth procedures satisfactory to the
- 8 commissioner for preserving the confidentiality of the
- 9 supporting memorandum or other material.
- 10 (h) If any part of a supporting memorandum described in
- 11 section 21 of this chapter is:
- 12 (1) cited by the company in the company's marketing;
- 13 (2) cited before a governmental agency other than a state
- 14 insurance department; or
- 15 (3) released by the company to the news media;
- 16 all parts of the supporting memorandum are no longer
- 17 confidential.
- 18 (i) The commissioner shall adopt rules under IC 4-22-2
- 19 containing the minimum standards for the valuation of accident
- 20 and sickness insurance contracts.
- 21 Sec. 23. (a) This section applies on and after the operative date
- 22 of the valuation manual.
- 23 (b) A company with outstanding life insurance contracts,
- 24 accident and sickness insurance contracts, or deposit-type
- 25 contracts in Indiana that is subject to regulation by the
- 26 commissioner shall:
- 27 (1) annually submit the opinion of the appointed actuary
- 28 concerning whether the reserves and related actuarial items
- 29 held in support of the contracts:
- 30 (A) are computed appropriately;
- 31 (B) are based on assumptions that satisfy contractual
- 32 provisions;
- 33 (C) are consistent with previously reported amounts; and
- 34 (D) comply with applicable Indiana law;
- 35 according to the specific requirements prescribed by the
- 36 valuation manual; and
- 37 (2) except as exempted in the valuation manual, annually
- 38 submit the opinion of the appointed actuary concerning
- 39 whether the reserves and related actuarial items held in
- 40 support of the contracts specified in the valuation manual,
- 41 when considered with the assets held by the company with
- 42 respect to the reserves and related actuarial items including

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1 the:

2 (A) investment earnings on the assets; and

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

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

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

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

13 (2) If:

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

17 (B) the commissioner determines that the supporting  
18 memorandum provided by the company fails to meet the  
19 standards prescribed by the valuation manual or is  
20 otherwise unacceptable to the commissioner;

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

25 (d) The following requirements apply to an opinion prepared  
26 under subsection (b)(1) or (b)(2):

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

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

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

35 (4) The opinion must be based on:

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

38 (B) additional standards prescribed in the valuation  
39 manual.

40 (5) In the case of an opinion required to be submitted by a  
41 foreign or alien company, the commissioner may accept the  
42 opinion filed by the company with the insurance supervisory

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1 official of another state if the commissioner determines that  
 2 the opinion reasonably meets the requirements applicable to  
 3 a company domiciled in Indiana.

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

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

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

18 (1) the commissioner's reserve valuation methods described in  
 19 sections 27, 28, 31, and 33 of this chapter;

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

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

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

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

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

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

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

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

37 (B) for any category of contracts issued:

38 (i) on male risks; and

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

42 the Commissioners 1958 Standard Ordinary Mortality

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

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- 1 (C) a modification of a table specified in clause (A) or (B)  
 2 that is approved by the commissioner.  
 3 (4) For group annuity and pure endowment contracts,  
 4 excluding disability and accidental death benefits in the  
 5 contracts:  
 6 (A) the Group Annuity Mortality Table for 1951;  
 7 (B) a modification of the table approved by the  
 8 commissioner; or  
 9 (C) at the option of the company, any of the tables or  
 10 modifications of tables specified for individual annuity and  
 11 pure endowment contracts.  
 12 (5) For total and permanent disability benefits in or  
 13 supplementary to contracts:  
 14 (A) for contracts issued after December 31, 1965, the tables  
 15 of Period 2 disablement rates and the 1930 to 1950  
 16 termination rates of the 1952 Disability Study of the  
 17 Society of Actuaries, with due regard to the type of benefit  
 18 or tables of disablement rates and termination rates  
 19 adopted after 1980 by the NAIC, that are approved by rule  
 20 adopted by the department under IC 4-22-2 for use in  
 21 determining the minimum standard of valuation for those  
 22 contracts;  
 23 (B) for contracts issued after December 31, 1960, and  
 24 before January 1, 1966:  
 25 (i) the tables described in clause (A); or  
 26 (ii) at the option of the company, the Class (3) Disability  
 27 Table (1926); and  
 28 (C) for contracts issued before January 1, 1961, the Class  
 29 (3) Disability Table (1926).  
 30 Any table described in this subdivision must, for active lives,  
 31 be combined with a mortality table permitted for calculating  
 32 the reserves for life insurance contracts.  
 33 (6) For accidental death benefits in or supplementary to  
 34 contracts issued after December 31, 1965:  
 35 (A) the 1959 Accidental Death Benefits Table or any  
 36 accidental death benefits table adopted after 1980 by the  
 37 NAIC that is approved by rule adopted by the  
 38 commissioner under IC 4-22-2 for use in determining the  
 39 minimum standard of valuation for the contracts;  
 40 (B) for contracts issued after December 31, 1960, and  
 41 before January 1, 1966:  
 42 (i) the table described in clause (A); or

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

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

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

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

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

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

24 (A) Either of the following:

25 (i) The 1971 Individual Annuity Mortality Table.

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

28 (B) Either of the following:

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

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

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

37 (A) One (1) of the following:

38 (i) The 1971 Individual Annuity Mortality Table.

39 (ii) An individual annuity mortality table adopted after  
40 1980 by the NAIC that is approved by rule adopted by  
41 the commissioner under IC 4-22-2 for use in determining  
42 the minimum standard of valuation for the contracts.

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- 1 (iii) A modification of a table described in item (i) or (ii)  
 2 that is approved by the commissioner.  
 3 (B) Seven and one-half percent (7 1/2%) interest.  
 4 (3) For individual annuity and pure endowment contracts  
 5 issued after August 31, 1979, other than single premium  
 6 immediate annuity contracts, excluding disability and  
 7 accidental death benefits in the contracts, both of the  
 8 following:  
 9 (A) One (1) of the following:  
 10 (i) The 1971 Individual Annuity Mortality Table.  
 11 (ii) An individual annuity mortality table adopted after  
 12 1980 by the NAIC that is approved by rule adopted by  
 13 the commissioner under IC 4-22-2 for use in determining  
 14 the minimum standard of valuation for the contracts.  
 15 (iii) A modification of a table described in item (i) or (ii)  
 16 that is approved by the commissioner.  
 17 (B) Either of the following:  
 18 (i) Five and one-half percent (5 1/2%) interest for single  
 19 premium deferred annuity and pure endowment  
 20 contracts.  
 21 (ii) Four and one-half percent (4 1/2%) interest for all  
 22 other individual annuity and pure endowment contracts.  
 23 (4) For annuities and pure endowments purchased before  
 24 September 1, 1979, under group annuity and pure endowment  
 25 contracts, excluding disability and accidental death benefits  
 26 purchased under the contracts, both of the following:  
 27 (A) Either of the following:  
 28 (i) The 1971 Group Annuity Mortality Table.  
 29 (ii) A modification of the table that is approved by the  
 30 commissioner.  
 31 (B) Six percent (6%) interest.  
 32 (5) For annuities and pure endowments purchased after  
 33 August 31, 1979, under group annuity and pure endowment  
 34 contracts, excluding disability and accidental death benefits  
 35 purchased under the contracts, both of the following:  
 36 (A) One (1) of the following:  
 37 (i) The 1971 Group Annuity Mortality Table.  
 38 (ii) A group annuity mortality table adopted after 1980  
 39 by the NAIC that is approved by rule adopted by the  
 40 commissioner under IC 4-22-2 for use in determining the  
 41 minimum standard of valuation for annuities and pure  
 42 endowments.

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

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

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

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

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

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

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

20 (4) A net increase in a particular calendar year after January  
21 1, 1982, in amounts held under guaranteed interest contracts.

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

26 (1) For life insurance,

$$27 \quad I = .03 + W(R1 - .03) + W/2(R2 - .09)$$

28 (2) For single premium immediate annuities and for annuity  
29 benefits involving life contingencies arising from other  
30 annuities with cash settlement options and from guaranteed  
31 interest contracts with cash settlement options,

$$32 \quad I = .03 + W(R - .03)$$

33 where R1 is the lesser of R and .09,

34 R2 is the greater of R and .09,

35 R is the reference interest rate specified in this section, and

36 W is the weighting factor specified in this section.

37 (3) For:

38 (A) other annuities; and

39 (B) guaranteed interest contracts;

40 with cash settlement options, valued on an issue year basis,  
41 except as provided in subdivision (2), the formula for life  
42 insurance specified in subdivision (1) applies to annuities and

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1 guaranteed interest contracts with guarantee durations in  
 2 excess of ten (10) years and the formula for single premium  
 3 immediate annuities described in subdivision (2) applies to  
 4 annuities and guaranteed interest contracts with guarantee  
 5 duration of ten (10) years or less.

6 (4) For:

7 (A) other annuities; and

8 (B) guaranteed interest contracts;

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

11 (5) For:

12 (A) other annuities; and

13 (B) guaranteed interest contracts;

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

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

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

32 (1) Weighting factors for life insurance:

33 Guarantee Duration	34 Weighting
35 (Years)	36 Factors
37 10 or less	38 .50
39 More than 10, but not more	40 than 20
41 More than 20	42 .45
	.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

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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:**

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**(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:**

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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**

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1 in excess of ten (10) years, the lesser of the average over a  
2 period of thirty-six (36) months or the average over a period  
3 of twelve (12) months ending on June 30 of the calendar year  
4 of issue or purchase, of the monthly average of the composite  
5 yield on seasoned corporate bonds published by Moody's  
6 Investors Service, Inc.

7 (4) For:  
8 (A) other annuities; and  
9 (B) guaranteed interest contracts;  
10 with cash settlement options valued on a year of issue basis,  
11 except as provided in subdivision (2), with guarantee duration  
12 of ten (10) years or less, the average, over a period of twelve  
13 (12) months ending on June 30 of the calendar year of issue or  
14 purchase, of the monthly average of the composite yield on  
15 seasoned corporate bonds published by Moody's Investors  
16 Service, Inc.

17 (5) For:  
18 (A) other annuities; and  
19 (B) guaranteed interest contracts;  
20 with no cash settlement options, the average, over a period of  
21 twelve (12) months ending on June 30 of the calendar year of  
22 issue or purchase, of the monthly average of the composite  
23 yield on seasoned corporate bonds published by Moody's  
24 Investors Service, Inc.

25 (6) For:  
26 (A) other annuities; and  
27 (B) guaranteed interest contracts;  
28 with cash settlement options valued on a change in fund basis,  
29 except as provided in subdivision (2), the average, over a  
30 period of twelve (12) months ending on June 30 of the  
31 calendar year of the change in the fund, of the monthly  
32 average of the composite yield on seasoned corporate bonds  
33 published by Moody's Investors Service, Inc.

34 (f) If:  
35 (1) the monthly average of the composite yield on seasoned  
36 corporate bonds is no longer published by Moody's Investors  
37 Service, Inc.; or  
38 (2) the NAIC determines that the monthly average of the  
39 composite yield on seasoned corporate bonds published by  
40 Moody's Investors Service, Inc., is no longer appropriate for  
41 the determination of the reference interest rate;  
42 an alternative method for determination of the reference interest

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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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 (B) an employee organization; or

35 (C) both;

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

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

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

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1           any other annuity or pure endowment contract.  
2           **Sec. 28. (a)** This section applies to an annuity or a pure  
3           endowment contract other than a group annuity or pure  
4           endowment contract that is purchased under a retirement plan or  
5           plan of deferred compensation that is established or maintained  
6           by:  
7                (1) an employer (including a partnership or sole  
8                proprietorship);  
9                (2) an employee organization; or  
10              (3) both;  
11           other than a plan providing individual retirement accounts or  
12           individual retirement annuities under Section 408 of the Internal  
13           Revenue Code.  
14           **(b)** Reserves according to the commissioners annuity reserve  
15           method for benefits under an annuity or a pure endowment  
16           contract, excluding disability and accidental death benefits in a  
17           contract, is the greatest of the respective excesses of:  
18                (1) the present value (on the date of valuation) of the future  
19                guaranteed benefits, including guaranteed nonforfeiture  
20                benefits, provided for by the contract at the end of each  
21                respective contract year; over  
22                (2) the present value (on the date of valuation) of any future  
23                valuation considerations derived from future gross  
24                considerations required by the terms of the contract, that  
25                become payable before the end of the respective contract year.  
26           The future guaranteed benefits must be determined by using any  
27           mortality table, if applicable, and the interest rate or rates  
28           specified in the contracts for determining guaranteed benefits. The  
29           valuation considerations are the portion of the respective gross  
30           considerations applied under the terms of a contract to determine  
31           the nonforfeiture value.  
32           **Sec. 29. (a)** A company's aggregate reserves for all contracts,  
33           excluding disability and accidental death benefits, issued on or  
34           after the transition date selected by the company under  
35           IC 27-1-12-12, the transition date in no event to be later than  
36           January 1, 1948, must not be less than the aggregate reserves  
37           calculated in accordance with sections 27, 28, 31, and 32 of this  
38           chapter and the mortality tables and rates of interest used in  
39           calculating nonforfeiture benefits for the contracts.  
40           **(b)** The aggregate reserves for all contracts and benefits must  
41           not be less than the aggregate reserves determined by the  
42           appointed actuary to be necessary to render an opinion required

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1 by section 21 or 23 of this chapter.

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

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

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

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

- 36       (1) the reserve calculated according to the mortality table,  
37 rate of interest, and method actually used for the contract; or  
38       (2) the reserve calculated by the method actually used for the  
39 contract, but using the minimum valuation standards of  
40 mortality and rate of interest and replacing the valuation net  
41 premium with the actual gross premium in each contract year  
42 for which the valuation net premium exceeds the actual gross

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- 1 premium.
- 2 (b) The minimum valuation standards of mortality and rate of  
3 interest referred to in this section are the standards specified in  
4 sections 24 and 26 of this chapter.
- 5 (c) For a life insurance contract issued on or after January 1,  
6 1985:
- 7 (1) for which:
- 8 (A) the gross premium in the first contract year exceeds  
9 the gross premium in the second contract year; and
- 10 (B) no comparable additional benefit is provided in the  
11 first contract year for the excess; and
- 12 (2) that provides an endowment benefit, a cash surrender  
13 value, or a combination, in an amount greater than the excess  
14 premium;
- 15 this section applies as if the method actually used in calculating the  
16 reserve for the contract were the method described in section 27(a),  
17 27(b), and 27(d) of this chapter. The minimum reserve on each  
18 contract anniversary of a contract described in this subsection is  
19 the greater of the minimum reserve calculated in accordance with  
20 section 27 of this chapter and the minimum reserve calculated  
21 under this section.
- 22 **Sec. 32. In the case of:**
- 23 (1) a plan of life insurance that provides for future premium  
24 determination, the amounts of which are to be determined by  
25 the company based on estimates of future experience; or
- 26 (2) a contract of life insurance or annuity that is of such a  
27 nature that the minimum reserves cannot be determined by  
28 the methods described in sections 27, 28, and 31 of this  
29 chapter;
- 30 the reserves that are held under the contract must be appropriate  
31 in relation to the benefits and pattern of premiums for the contract  
32 and computed by a method that is consistent with the principles of  
33 this chapter, as determined under rules adopted by the  
34 commissioner under IC 4-22-2.
- 35 **Sec. 33. The following apply to accident and sickness insurance  
36 contracts:**
- 37 (1) For accident and sickness insurance contracts issued on or  
38 after the operative date of the valuation manual, the standard  
39 prescribed in the valuation manual is the minimum standard  
40 of valuation required under section 20 of this chapter.
- 41 (2) For accident and sickness insurance contracts issued  
42 before the operative date of the valuation manual, the

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

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

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

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

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

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

22               **(B)** Health annual statements.

23               **(C)** Fraternal annual statements.

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

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

29               **(B)** American Samoa.

30               **(C)** The American Virgin Islands.

31               **(D)** The District of Columbia.

32               **(E)** Guam.

33               **(F)** Puerto Rico.

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

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

42               **(2)** members of the NAIC representing jurisdictions totaling

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

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

5 (B) Health annual statements.

6 (C) Fraternal annual statements.

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

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

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

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

14 (C) Minimum reserves for all other contracts.

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

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

21 (A) Requirements for:

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

24 (ii) which certifications described in item (i) must include  
 25 information necessary to determine whether the  
 26 valuation is appropriate and in compliance with sections  
 27 19 through 40 of this chapter.

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

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

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

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

38 (B) develop reserves that quantify:

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

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

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- 1                    have a reasonable probability of occurring.
- 2                    **(5) Other requirements, including requirements relating to:**
- 3                    **(A) Reserve methods.**
- 4                    **(B) Models for measuring risk.**
- 5                    **(C) Generation of economic scenarios.**
- 6                    **(D) Assumptions.**
- 7                    **(E) Margins.**
- 8                    **(F) Use of company experience.**
- 9                    **(G) Risk measurement.**
- 10                   **(H) Disclosure.**
- 11                   **(I) Certifications.**
- 12                   **(J) Reports.**
- 13                   **(K) Actuarial opinions and memorandums.**
- 14                   **(L) Transition rules.**
- 15                   **(M) Internal controls.**
- 16                   **(6) The data and form of the data required under section 36**
- 17                   **of this chapter, including:**
- 18                   **(A) the person to whom the data must be submitted;**
- 19                   **(B) data analyses; and**
- 20                   **(C) reporting of analyses.**
- 21                   **(e) If:**
- 22                   **(1) there is no specific valuation requirement; or**
- 23                   **(2) a specific valuation requirement in the valuation manual**
- 24                   **is not, in the opinion of the commissioner, in compliance with**
- 25                   **sections 19 through 40 of this chapter;**
- 26                   **a company shall, with respect to the specific valuation**
- 27                   **requirements, comply with minimum valuation standards**
- 28                   **prescribed by the commissioner in rules adopted under IC 4-22-2.**
- 29                   **(f) The commissioner may employ or contract with a qualified**
- 30                   **actuary, at the expense of a company, to:**
- 31                   **(1) perform an actuarial examination of the company and**
- 32                   **provide an opinion concerning the appropriateness of any**
- 33                   **reserve assumption or method used by the company; or**
- 34                   **(2) review and provide an opinion concerning the company's**
- 35                   **compliance with a requirement of this chapter. The**
- 36                   **commissioner may rely upon an opinion of a qualified actuary**
- 37                   **engaged by the commissioner of another state, district, or**
- 38                   **territory of the United States concerning sections 19 through**
- 39                   **40 of this chapter.**
- 40                   **(g) The commissioner may:**
- 41                   **(1) require a company to change an assumption or method**
- 42                   **that in the opinion of the commissioner is necessary to comply**

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

3 (2) take other disciplinary action allowed by law.

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

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

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

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

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

17 (B) for policies or contracts with significant tail risk,  
18 reflects conditions appropriately adverse to quantify the  
19 tail risk.

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

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

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

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

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

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

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

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

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- 1 valuation manual, shall do the following:
- 2 (1) Establish procedures for corporate governance and
- 3 oversight of the actuarial valuation function consistent with
- 4 the procedures described in the valuation manual.
- 5 (2) Provide to the commissioner and the board of directors an
- 6 annual certification of the effectiveness of the internal
- 7 controls with respect to the principle based valuation. The
- 8 internal controls must be designed to assure that:
- 9 (A) all material risks inherent in the liabilities and
- 10 associated assets that are subject to the valuation are
- 11 included in the valuation; and
- 12 (B) valuations are made in accordance with the valuation
- 13 manual.
- 14 The certification must be based on the controls in place as of
- 15 the end of the preceding calendar year.
- 16 (3) Develop, and file with the commissioner upon request, a
- 17 principle based valuation report that complies with standards
- 18 prescribed in the valuation manual.
- 19 (d) A principle based valuation may include a prescribed
- 20 formulaic reserve component.
- 21 Sec. 36. On and after the operative date of the valuation manual
- 22 specified in section 34 of this chapter, a company shall submit
- 23 mortality, morbidity, contractholder behavior, or expense
- 24 experience and other data as prescribed in the valuation manual.
- 25 Sec. 37. (a) Except as provided in this section and section 38 of
- 26 this chapter, a company's confidential information is:
- 27 (1) confidential by law and privileged;
- 28 (2) not subject to subpoena; and
- 29 (3) not subject to discovery or admissible in evidence in a
- 30 private civil action.
- 31 However, the commissioner may use confidential information in
- 32 the furtherance of a regulatory or legal action brought against the
- 33 company as a part of the commissioner's duties.
- 34 (b) The commissioner, or a person receiving confidential
- 35 information while acting under the authority of the commissioner,
- 36 is not permitted or required to testify in a private civil action
- 37 concerning confidential information.
- 38 (c) The commissioner may disclose confidential information to:
- 39 (1) other state, federal, and international regulatory agencies;
- 40 (2) the NAIC and affiliates and subsidiaries of the NAIC;
- 41 (3) only in the case of confidential information specified in
- 42 section 5(1) and 5(4) of this chapter, the Actuarial Board for

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

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

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

11          **(d) The commissioner:**

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

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

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

17           **(C) the Actuarial Board for Counseling and Discipline or**  
 18           **the successor to the Actuarial Board for Counseling and**  
 19           **Discipline; and**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 **(1) A private passenger motor vehicle.**

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

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

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

17 **(2) four (4) days of physical damage coverage that is subject**  
 18 **to a deductible of not more than five hundred dollars (\$500);**  
 19 **for a newly acquired motor vehicle under the motor vehicle**  
 20 **insurance policy, effective on the date the insured becomes the**  
 21 **owner.**

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

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

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

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

33 (4) "Consultant" means a person who:

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

36 (B) for a fee, offers;

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

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

41 (A) two thousand dollars (\$2,000); or

42 (B) three (3) months;

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- 1 past due in the payment of court ordered child support.
- 2 (6) "FINRA" refers to the independent Financial Industry  
3 Regulatory Authority.
- 4 (7) "Home state" means the District of Columbia or any state or  
5 territory of the United States in which an insurance producer:  
6 (A) maintains the insurance producer's principal place of  
7 residence or principal place of business; and  
8 (B) is licensed to act as an insurance producer.
- 9 (8) "Insurance producer" means a person required to be licensed  
10 under the laws of Indiana to sell, solicit, or negotiate insurance.
- 11 (9) "License" means a document issued by the commissioner  
12 authorizing a person to act as an insurance producer for the lines  
13 of authority specified in the document. The license itself does not  
14 create any authority, actual, apparent, or inherent, in the holder to  
15 represent or commit an insurance carrier.
- 16 (10) "Limited line credit insurance" includes the following:  
17 (A) Credit life insurance.  
18 (B) Credit disability insurance.  
19 (C) Credit property insurance.  
20 (D) Credit unemployment insurance.  
21 (E) Involuntary unemployment insurance.  
22 (F) Mortgage life insurance.  
23 (G) Mortgage guaranty insurance.  
24 (H) Mortgage disability insurance.  
25 (I) Guaranteed automobile protection (gap) insurance.  
26 (J) Any other form of insurance:  
27 (i) that is offered in connection with an extension of credit  
28 and is limited to partially or wholly extinguishing that credit  
29 obligation; and  
30 (ii) that the insurance commissioner determines should be  
31 designated a form of limited line credit insurance.
- 32 (11) "Limited line credit insurance producer" means a person who  
33 sells, solicits, or negotiates one (1) or more forms of limited line  
34 credit insurance coverage to individuals through a master,  
35 corporate, group, or individual policy.
- 36 (12) "Limited lines insurance" means any of the following:  
37 (A) The lines of insurance defined in section 18 of this  
38 chapter.  
39 (B) Any line of insurance the recognition of which is  
40 considered necessary by the commissioner for the purpose of  
41 complying with section 8(e) of this chapter.  
42 (C) For purposes of section 8(e) of this chapter, any form of

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- 1 insurance with respect to which authority is granted by a home  
 2 state that restricts the authority granted by a limited lines  
 3 producer's license to less than total authority in the associated  
 4 major lines described in section 7(a)(1) through 7(a)(6) of this  
 5 chapter.
- 6 (13) "Limited lines producer" means a person authorized by the  
 7 commissioner to sell, solicit, or negotiate limited lines insurance.
- 8 **(14) "Limited lines travel insurance producer" means a**  
 9 **person designated by an insurer to sell, solicit, or negotiate a**  
 10 **travel insurance policy. The term includes the following:**
- 11 **(A) A managing general underwriter.**  
 12 **(B) A managing general agent.**  
 13 **(C) A limited lines producer.**
- 14 ~~(14)~~ **(15) "Negotiate"** means the act of conferring directly with or  
 15 offering advice directly to a purchaser or prospective purchaser of  
 16 a particular contract of insurance concerning any of the  
 17 substantive benefits, terms, or conditions of the contract, provided  
 18 that the person engaged in that act either sells insurance or  
 19 obtains insurance from insurers for purchasers.
- 20 ~~(15)~~ **(16) "Person"** means an individual or a business entity.
- 21 ~~(16)~~ **(17) "Sell"** means to exchange a contract of insurance by any  
 22 means, for money or its equivalent, on behalf of a company.
- 23 ~~(17)~~ **(18) "Solicit"** means attempting to sell insurance or asking or  
 24 urging a person to apply for a particular kind of insurance from a  
 25 particular company.
- 26 ~~(18)~~ **(19) "Surplus lines producer"** means a person who sells,  
 27 solicits, negotiates, or procures from an insurance company not  
 28 licensed to transact business in Indiana an insurance policy that  
 29 cannot be procured from insurers licensed to do business in  
 30 Indiana.
- 31 ~~(19)~~ **(20) "Terminate"** means:
- 32 (A) the cancellation of the relationship between an insurance  
 33 producer and the insurer; or  
 34 (B) the termination of a producer's authority to transact  
 35 insurance.
- 36 **(21) "Travel insurance" means insurance coverage for**  
 37 **personal risks incident to planned travel, including the**  
 38 **following:**
- 39 **(A) Interruption or cancellation of a trip or an event.**  
 40 **(B) Loss of baggage or personal effects.**  
 41 **(C) Damage to accommodations or rental vehicles.**  
 42 **(D) Sickness, accident, disability, or death that occurs**

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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

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1 a limited lines travel insurance producer license that is issued  
2 to a business entity described in subsection (b).

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

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

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

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

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

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

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

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

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

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

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

32 (E) Pays all required insurance producer licensing fees.

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

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

40 SECTION 15. IC 27-1-15.7-2, AS AMENDED BY P.L.81-2012,  
41 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
42 JULY 1, 2013]: Sec. 2. (a) Except as provided in subsection (b), to

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1 renew a license issued under IC 27-1-15.6, a resident insurance  
 2 producer must complete at least twenty-four (24) hours of credit in  
 3 continuing education courses. **If the insurance producer has a**  
 4 **qualification described in IC 27-1-15.6-7(a)(1),**  
 5 **IC 27-1-15.6-7(a)(2), or IC 27-1-15.6-7(a)(5), for a license renewal**  
 6 **that occurs after June 30, 2014, at least three (3) of the hours of**  
 7 **credit required by this subsection must be related to ethical**  
 8 **practices in the marketing and sale of life, health, or annuity**  
 9 **insurance products.** An attorney in good standing who is admitted to  
 10 the practice of law in Indiana and holds a license issued under  
 11 IC 27-1-15.6 may complete all or any number of hours of continuing  
 12 education required by this subsection by completing an equivalent  
 13 number of hours in continuing legal education courses that are related  
 14 to the business of insurance.

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

- 21 (1) Ethical practices in the marketing and selling of title
- 22 insurance.
- 23 (2) Title insurance underwriting.
- 24 (3) Escrow issues.
- 25 (4) Principles of the federal Real Estate Settlement Procedures
- 26 Act (12 U.S.C. 2608).

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

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

- 36 (1) A limited lines producer who is licensed without examination
- 37 under IC 27-1-15.6-18(1). ~~or IC 27-1-15.6-18(2).~~
- 38 (2) A limited line credit insurance producer.
- 39 (3) A nonresident limited lines producer with a title qualification:
- 40 (A) whose home state requires continuing education for a title
- 41 qualification; and
- 42 (B) who has met the continuing education requirements



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- 1 described in clause (A).
- 2 (d) To satisfy the requirements of subsection (a) or (b), a licensee  
3 may use only those credit hours earned in continuing education courses  
4 completed by the licensee:
- 5 (1) after the effective date of the licensee's last renewal of a  
6 license under this chapter; or  
7 (2) if the licensee is renewing a license for the first time, after the  
8 date on which the licensee was issued the license under this  
9 chapter.
- 10 (e) If an insurance producer receives qualification for a license in  
11 more than one (1) line of authority under IC 27-1-15.6, the insurance  
12 producer may not be required to complete a total of more than  
13 twenty-four (24) hours of credit in continuing education courses to  
14 renew the license.
- 15 (f) Except as provided in subsection (g), a licensee may receive  
16 credit only for completing continuing education courses that have been  
17 approved by the commissioner under section 4 of this chapter.
- 18 (g) A licensee who teaches a course approved by the commissioner  
19 under section 4 of this chapter shall receive continuing education credit  
20 for teaching the course.
- 21 (h) When a licensee renews a license issued under this chapter, the  
22 licensee must submit:
- 23 (1) a continuing education statement that:
- 24 (A) is in a format authorized by the commissioner;  
25 (B) is signed by the licensee under oath; and  
26 (C) lists the continuing education courses completed by the  
27 licensee to satisfy the continuing education requirements of  
28 this section; and
- 29 (2) any other information required by the commissioner.
- 30 (i) A continuing education statement submitted under subsection (h)  
31 may be reviewed and audited by the department.
- 32 (j) A licensee shall retain a copy of the original certificate of  
33 completion received by the licensee for completion of a continuing  
34 education course.
- 35 (k) A licensee who completes a continuing education course that:
- 36 (1) is approved by the commissioner under section 4 of this  
37 chapter;  
38 (2) is held in a classroom setting; and  
39 (3) concerns ethics;  
40 shall receive continuing education credit not to exceed four (4) hours  
41 in a renewal period.
- 42 SECTION 16. IC 27-1-15.9-16, AS ADDED BY P.L.4-2012,

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

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

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

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

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

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

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

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

24 (1) insurance company;

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

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

27 **(4) fraternal benefit society;**

28 that is domiciled in Indiana.

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

32 (1) An insurer that is:

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

34 (B) not a domestic insurer.

35 (2) A health maintenance organization that:

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

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

40 (3) A limited service health maintenance organization that:

41 (A) is organized under the laws of a state other than Indiana,  
42 a territory or another insular possession of the United States,

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1 or the District of Columbia; and

2 (B) has obtained a certificate of authority under IC 27-13-34.

3 **(4) A fraternal benefit society that:**

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

7 **(B) has obtained a certificate of authority under**  
 8 **IC 27-11-8-5.**

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

15 SECTION 20. IC 27-1-36-9.3 IS ADDED TO THE INDIANA  
 16 CODE AS A NEW SECTION TO READ AS FOLLOWS  
 17 [EFFECTIVE JULY 1, 2013]: **Sec. 9.3. As used in this chapter,**  
 18 **"health insurer" means the following:**

19 **(1) A health maintenance organization.**

20 **(2) A limited service health maintenance organization.**

21 **(3) An insurer that makes one (1) or more of the types of**  
 22 **insurance described in Class 1(b) or Class 2(a) of IC 27-1-5-1.**

23 **(4) An insurer that files a health blank in accordance with the**  
 24 **NAIC Annual Statement Instructions.**

25 SECTION 21. IC 27-1-36-9.6 IS AMENDED TO READ AS  
 26 FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 9.6. As used in this**  
 27 **chapter, "insurer" includes:**

28 **(1) a health maintenance organization; and**

29 **(2) a limited service health maintenance organization; and**

30 **(3) a fraternal benefit society.**

31 SECTION 22. IC 27-1-36-10 IS AMENDED TO READ AS  
 32 FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 10. As used in this**  
 33 **chapter, "life and health insurer" means**

34 **(1) an insurer that makes one (1) or more of the types of insurance**  
 35 **described in Class 1 of IC 27-1-5-1. or**

36 **(2) a property and casualty insurer that writes only accident and**  
 37 **health insurance.**

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



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1 instructions.

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

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

6 **(2) A fraternal benefit society.**

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

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

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

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

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

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

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

26 (1) affiliation investment risk;

27 (2) asset risk;

28 (3) credit risk;

29 (4) underwriting risk; and

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

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

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

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

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

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

42 (ii) less than its company action level RBC;

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- 1 (B) if a life ~~and health~~ insurer **or a fraternal benefit society,**  
 2 the insurer:  
 3 (i) has total adjusted capital that is greater than or equal to  
 4 its company action level RBC but less than the product of  
 5 ~~two and five-tenths (2.5)~~ **three (3)** multiplied by its  
 6 authorized control level RBC; and  
 7 (ii) has a negative trend; ~~or~~  
 8 (C) if a property and casualty insurer, a ~~health maintenance~~  
 9 ~~organization,~~ ~~or a limited service health maintenance~~  
 10 ~~organization,~~ the insurer:  
 11 (i) has total adjusted capital that is greater than or equal to  
 12 its company action level RBC but less than the product of  
 13 three (3) multiplied by its authorized control level RBC; and  
 14 (ii) has a negative trend; **or**  
 15 **(D) if a health insurer, the insurer:**  
 16 **(i) has a total adjusted capital that is greater than or**  
 17 **equal to its company action level RBC but less than the**  
 18 **product of three (3) multiplied by its authorized control**  
 19 **level RBC; and**  
 20 **(ii) has a negative trend.**  
 21 (2) The notification by the commissioner to the insurer of an  
 22 adjusted RBC report that indicates that:  
 23 (A) the insurer's total adjusted capital is:  
 24 (i) greater than or equal to its regulatory action level RBC;  
 25 but  
 26 (ii) less than its company action level RBC;  
 27 (B) if a life ~~and health~~ insurer **or a fraternal benefit society,**  
 28 the insurer:  
 29 (i) has total adjusted capital that is greater than or equal to  
 30 its company action level RBC but less than the product of  
 31 ~~two and five-tenths (2.5)~~ **three (3)** multiplied by its  
 32 authorized control level RBC; and  
 33 (ii) has a negative trend; ~~or~~  
 34 (C) if a property and casualty insurer, a ~~health maintenance~~  
 35 ~~organization,~~ ~~or a limited service health maintenance~~  
 36 ~~organization,~~ the insurer:  
 37 (i) has total adjusted capital that is greater than or equal to  
 38 its company action level RBC but less than the product of  
 39 three (3) multiplied by its authorized control level RBC; and  
 40 (ii) has a negative trend; **or**  
 41 **(D) if a health insurer, the insurer:**  
 42 **(i) has total adjusted capital that is greater than or equal**

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1                   **to its company action level RBC but less than the**  
 2                   **product of three (3) multiplied by its authorized control**  
 3                   **level RBC; and**  
 4                   **(ii) has a negative trend;**

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

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

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

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

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

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

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

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

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

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- 1 (A) the results or report of any examination or analysis of an  
 2 insurer performed under the plan; and  
 3 (B) any corrective order issued by the commissioner under the  
 4 examination or analysis.
- 5 (b) The information described in subsection (a):  
 6 (1) must be kept confidential by the commissioner;  
 7 (2) shall not be made public; and  
 8 (3) is not:  
 9 (A) subject to subpoena;  
 10 (B) **subject to discovery in a private civil action; or**  
 11 (C) **admissible in evidence in a private civil action;**  
 12 other than by the commissioner and then only for the purpose of  
 13 enforcement actions taken by the commissioner under this chapter  
 14 or another provision of this title.
- 15 (c) **The commissioner, or a person receiving documents,**  
 16 **materials, or other information while acting under the authority of**  
 17 **the commissioner, is not permitted or required to testify in a**  
 18 **private civil action concerning confidential information described**  
 19 **in subsection (a).**
- 20 (d) **The commissioner may disclose documents, materials, and**  
 21 **other information, including the information described in**  
 22 **subsection (a), to:**  
 23 (1) **other state, federal, and international regulatory agencies;**  
 24 (2) **the NAIC and affiliates and subsidiaries of the NAIC; and**  
 25 (3) **state, federal, and international law enforcement**  
 26 **authorities;**  
 27 **if the recipient agrees to maintain the confidential and privileged**  
 28 **status of the documents, materials, and other information.**
- 29 (e) **The commissioner:**  
 30 (1) **may receive documents, materials, and other information,**  
 31 **including confidential and privileged documents, materials,**  
 32 **and information, from:**  
 33 (A) **other state, federal, and international regulatory**  
 34 **agencies;**  
 35 (B) **the NAIC and affiliates and subsidiaries of the NAIC;**  
 36 **and**  
 37 (C) **other state, federal, and international law enforcement**  
 38 **authorities; and**  
 39 (2) **shall maintain as confidential or privileged all documents,**  
 40 **materials, and other information received with notice or the**  
 41 **understanding that the documents, materials, and information**  
 42 **are confidential or privileged under the law of the jurisdiction**

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1 that is the source of the documents, materials, and  
2 information.

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

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

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

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

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

39 SECTION 30. IC 27-8-8-0.3, AS ADDED BY P.L.220-2011,  
40 SECTION 438, IS AMENDED TO READ AS FOLLOWS  
41 [EFFECTIVE JULY 1, 2013]: Sec. 0.3. (a) The association's coverage  
42 obligations under this chapter with respect to a member insurer that has

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1 a coverage date before March 28, 2006, are not affected by changes  
2 made by P.L.193-2006.

3 (b) The association's coverage obligations under this chapter with  
4 respect to a member insurer that has a coverage date before March 28,  
5 2006, are governed by this chapter as it existed on January 1, 2006.

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

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

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

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

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

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

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

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

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

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

- 42 (1) provides retirement income to employees; or



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- 1 (2) results in a deferral of income by employees for a period  
 2 extending to or beyond the termination of employment.
- 3 (g) "Board" refers to the board of directors of the association  
 4 selected under IC 27-8-8-4.
- 5 (h) "Called", when used in the context of assessments, means that  
 6 notice has been issued by the association to member insurers requiring  
 7 the member insurers to pay, within a time frame set forth in the notice,  
 8 an assessment that has been authorized by the board.
- 9 (i) "Commissioner" refers to the insurance commissioner appointed  
 10 under IC 27-1-1-2.
- 11 (j) "Contractual obligation" means an enforceable obligation under  
 12 a covered policy for which and to the extent that coverage is provided  
 13 under section 2.3 of this chapter.
- 14 (k) "Coverage date" means, with respect to a member insurer, the  
 15 date on which the earlier of the following occurs:  
 16 (1) The member insurer becomes an insolvent insurer.  
 17 (2) The association determines that the association will provide  
 18 coverage under section 5(a) of this chapter with respect to the  
 19 member insurer.
- 20 (l) "Covered policy" means a:  
 21 (1) nongroup policy or contract;  
 22 (2) certificate under a group policy or contract; or  
 23 (3) part of a policy, contract, or certificate described in  
 24 subdivisions (1) and (2);  
 25 for which coverage is provided under section 2.3 of this chapter.
- 26 (m) "Extracontractual claims" includes claims that relate to bad faith  
 27 in the payment of claims, punitive or exemplary damages, or attorney's  
 28 fees and costs.
- 29 (n) "Funding agreement" has the meaning set forth in  
 30 IC 27-1-12.7-1.
- 31 (o) "Impaired insurer" means a member insurer that is:  
 32 (1) not an insolvent insurer; and  
 33 (2) placed under an order of rehabilitation or conservation by a  
 34 court with jurisdiction.
- 35 (p) "Insolvent insurer" means a member insurer that is placed under  
 36 an order of liquidation with a finding of insolvency by a court with  
 37 jurisdiction.
- 38 (q) "Member insurer" means any person that holds a certificate of  
 39 authority to transact in Indiana any kind of insurance for which  
 40 coverage is provided under section 2.3 of this chapter. The term  
 41 includes an insurer whose certificate of authority to transact such  
 42 insurance in Indiana may have been suspended, revoked, not renewed,

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- 1 or voluntarily withdrawn but does not include the following:
- 2 (1) A for-profit or nonprofit hospital or medical service  
3 organization.
- 4 (2) A health maintenance organization under IC 27-13.
- 5 (3) A fraternal benefit society under IC 27-11.
- 6 (4) The Indiana Comprehensive Health Insurance Association or  
7 any other mandatory state pooling plan or arrangement.
- 8 (5) An assessment company or another person that operates on an  
9 assessment plan (as defined in IC 27-1-2-3(y)).
- 10 (6) An interinsurance or reciprocal exchange authorized by  
11 IC 27-6-6.
- 12 (7) A prepaid limited service health maintenance organization or  
13 a limited service health maintenance organization under  
14 IC 27-13-34.
- 15 (8) A farm mutual insurance company under IC 27-5.1.
- 16 (9) A person operating as a Lloyds under IC 27-7-1.
- 17 (10) The political subdivision risk management fund established  
18 by IC 27-1-29-10 and the political subdivision catastrophic  
19 liability fund established by IC 27-1-29.1-7.
- 20 (11) The small employer health reinsurance board established by  
21 IC 27-8-15.5-5.
- 22 (12) A person similar to any person described in subdivisions (1)  
23 through (11).
- 24 (r) "Moody's Corporate Bond Yield Average" means:
- 25 (1) the monthly average of the composite yield on seasoned  
26 corporate bonds as published by Moody's Investors Service, Inc.;  
27 or
- 28 (2) if the monthly average described in subdivision (1) is no  
29 longer published, an alternative publication of interest rates or  
30 yields determined appropriate by the association.
- 31 (s) "Multiple employer welfare arrangement" has the meaning set  
32 forth in IC 27-1-34-1.
- 33 (t) "Owner" means the person:
- 34 (1) identified as the legal owner of a policy or contract according  
35 to the terms of the policy or contract; or
- 36 (2) otherwise vested with legal title to a policy or contract through  
37 a valid assignment completed in accordance with the terms of the  
38 policy or contract and properly recorded as the owner on the  
39 books of the insurer.
- 40 The term does not include a person with a mere beneficial interest in  
41 a policy or contract.
- 42 (u) "Person" means an individual, a corporation, a limited liability

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1 company, a partnership, an association, a governmental entity, a  
2 voluntary organization, a trust, a trustee, or another business entity or  
3 organization.

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

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

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

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

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

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

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

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

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

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

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

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

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

42 (1) The state in which the primary executive and administrative

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- 1           headquarters of the entity is located.
- 2           (2) The state in which the principal office of the chief executive
- 3           officer of the entity is located.
- 4           (3) The state in which the board of directors or similar governing
- 5           person of the entity conducts the majority of the board of
- 6           directors' or governing person's meetings.
- 7           (4) The state in which the executive or management committee of
- 8           the board of directors or similar governing person of the entity
- 9           conducts the majority of the committee's meetings.
- 10          (5) The state from which the management of the overall
- 11          operations of the entity is directed.

12          However, in the case of a plan sponsor, if more than fifty percent (50%)  
 13          of the participants in the plan sponsor's benefit plan are employed in a  
 14          single state, that state is considered to be the principal place of business  
 15          of the plan sponsor. The principal place of business of a plan sponsor  
 16          of a benefit plan described in subsection (v)(4), if more than fifty  
 17          percent (50%) of the participants in the plan sponsor's benefit plan are  
 18          not employed in a single state, is considered to be the principal place  
 19          of business of the association, committee, joint board of trustees, or  
 20          other similar group of representatives of the parties that establish or  
 21          maintain the benefit plan and, in the absence of a specific or clear  
 22          designation of a principal place of business, is considered to be the  
 23          principal place of business of the employer or employee organization  
 24          that has the largest investment in the benefit plan in question on the  
 25          coverage date.

26          (y) "Receivership court" refers to the court in an insolvent insurer's  
 27          or impaired insurer's state that has jurisdiction over the conservation,  
 28          rehabilitation, or liquidation of the insolvent insurer or impaired  
 29          insurer.

30          (z) "Resident" means **the following:**

31                 **(1) An individual who resides in Indiana on the applicable**  
 32                 **coverage date.**

33                 **(2) A person that resides or is not an individual and** has the  
 34                 person's principal place of business in Indiana on the applicable  
 35                 coverage date.

36          (aa) "State" includes a state, the District of Columbia, Puerto Rico,  
 37          and a United States possession, territory, or protectorate.

38          (bb) "Structured settlement annuity" means an annuity purchased to  
 39          fund periodic payments for a plaintiff or other claimant in payment for  
 40          or with respect to personal injury suffered by the plaintiff or other  
 41          claimant.

42          (cc) "Supplemental contract" means a written agreement entered

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1 into for the distribution of proceeds under a life, health, or annuity  
2 policy or contract.

3 (dd) "Unallocated annuity contract" means an annuity contract or  
4 group annuity certificate:

5 (1) the owner of which is not a natural person; and

6 (2) that does not identify at least one (1) specific natural person  
7 as an annuitant;

8 except to the extent of any annuity benefits guaranteed to a natural  
9 person by an insurer under the contract or certificate. For purposes of  
10 this chapter, an unallocated annuity contract shall not be considered a  
11 group policy or group contract.

12 SECTION 32. IC 27-8-8-2.1, AS ADDED BY P.L.193-2006,  
13 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
14 JULY 1, 2013]: Sec. 2.1. (a) For purposes of this chapter:

15 (1) a policy or contract issued on a blanket basis is a group policy  
16 or group contract;

17 (2) each individual insured under a policy or contract issued on a  
18 blanket basis is a certificate holder under the policy or contract;  
19 and

20 (3) a policy or contract issued on a franchise plan to members of  
21 a qualified group is a nongroup policy or nongroup contract.

22 (b) For purposes of this chapter, a benefit plan may have only one  
23 (1) plan sponsor.

24 **(c) For purposes of this chapter, an individual who, on the**  
25 **applicable coverage date:**

26 **(1) is a citizen of the United States; and**

27 **(2) resides in a:**

28 **(A) foreign country; or**

29 **(B) United States possession, territory, or protectorate;**

30 **that does not have an association similar to the association**  
31 **created by this chapter;**

32 **is considered to be a resident of the state of domicile of the insurer**  
33 **that issued the policies or contracts.**

34 SECTION 33. IC 27-8-8-2.3, AS ADDED BY P.L.193-2006,  
35 SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
36 JULY 1, 2013]: Sec. 2.3. (a) Except as otherwise excluded or limited  
37 by this chapter, this chapter provides coverage for policies and  
38 contracts specified in subsection (d) as follows:

39 (1) To a person, other than a certificate holder under a group  
40 policy or a group contract, that, regardless of where the person  
41 resides, is the beneficiary, nonowner assignee, or payee of a  
42 person covered under subdivision (2).

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- 1 (2) To a person that is a certificate holder under a group policy or
- 2 group contract, and to a person that is the owner of a nongroup
- 3 policy or nongroup contract that is not an unallocated annuity
- 4 contract or a structured settlement annuity, and that:
- 5 (A) is a resident; or
- 6 (B) is not a resident if all the following conditions are
- 7 satisfied:
- 8 (i) The member insurer that issued the policy or contract is
- 9 domiciled in Indiana.
- 10 (ii) The state in which the person resides has an association
- 11 similar to the association.
- 12 (iii) The nonresident is not eligible for coverage by the other
- 13 association referred to in item (ii) solely because the
- 14 member insurer was not licensed in the state of residence at
- 15 the time specified in the guaranty association law of the state
- 16 of residence.
- 17 (3) For an unallocated annuity contract, subdivisions (1) and (2)
- 18 do not apply, and this chapter provides coverage to the following:
- 19 (A) A person that is the owner of the unallocated annuity
- 20 contract, if the contract was issued to or in connection with a
- 21 benefit plan whose plan sponsor is a resident or, if the plan
- 22 sponsor is not a resident, if all the following conditions are
- 23 satisfied:
- 24 (i) The member insurer that issued the unallocated annuity
- 25 contract is domiciled in Indiana.
- 26 (ii) The state in which the plan sponsor resides has an
- 27 association similar to the association.
- 28 (iii) The other association referred to in item (ii) does not
- 29 provide coverage of the unallocated annuity contract solely
- 30 because the member insurer was not licensed in the state of
- 31 residence at the time specified in the guaranty association
- 32 law of the state of residence.
- 33 (B) A person that is the owner of an unallocated annuity
- 34 contract issued to or in connection with a government lottery,
- 35 if the owner is a resident or, if the owner is not a resident, if all
- 36 the following conditions are satisfied:
- 37 (i) The member insurer that issued the unallocated annuity
- 38 contract is domiciled in Indiana.
- 39 (ii) The state in which the owner resides has an association
- 40 similar to the association.
- 41 (iii) The other association referred to in item (ii) does not
- 42 provide coverage of the unallocated annuity contract solely

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- 1 because the member insurer was not licensed in the state of  
 2 residence at the time specified in the guaranty association  
 3 law of the state of residence.
- 4 (4) For a structured settlement annuity, subdivisions (1) and (2)  
 5 do not apply, and this chapter provides coverage to a person that  
 6 is a payee under the structured settlement annuity (or beneficiary  
 7 of a payee if the payee is deceased), if the payee:
- 8 (A) is a resident, regardless of where the contract owner  
 9 resides; or
- 10 (B) is not a resident if all the following conditions are  
 11 satisfied:
- 12 (i) The member insurer that issued the structured settlement  
 13 annuity is domiciled in Indiana.
- 14 (ii) The state in which the payee resides has an association  
 15 similar to the association.
- 16 (iii) Neither the payee nor the beneficiary of the payee (if the  
 17 payee is deceased) is eligible for coverage by the other  
 18 association referred to in item (ii) solely because the  
 19 member insurer was not licensed in the state of residence at  
 20 the time specified in the guaranty association law of the state  
 21 of residence.
- 22 (b) This chapter does not provide coverage to a person that is:
- 23 (1) a payee or beneficiary of a contract owner that is a resident, if  
 24 the payee or beneficiary is afforded any coverage by the  
 25 association of another state; or
- 26 (2) otherwise covered under subsection(a)(3), if any coverage is  
 27 provided to the person by the association of another state.
- 28 (c) To avoid duplicate coverage, if a person that would otherwise  
 29 receive coverage under this chapter is provided coverage under the  
 30 laws of another state, the person is not eligible for coverage under this  
 31 chapter. In determining the application of this subsection when a  
 32 person may be covered by the association of more than one (1) state as  
 33 an owner, a payee, a beneficiary, or an assignee, this chapter must be  
 34 construed in conjunction with the laws of the other state to result in  
 35 coverage by only one (1) association.
- 36 (d) Except as otherwise excluded or limited by this chapter, this  
 37 chapter provides coverage to the persons specified in subsection (a)  
 38 for:
- 39 (1) direct nongroup life, health, or annuity policies and contracts  
 40 and supplemental contracts to direct nongroup life, health, or  
 41 annuity policies and contracts;
- 42 (2) certificates under direct group life, health, and annuity policies

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- 1 and contracts; and
- 2 (3) unallocated annuity contracts;
- 3 issued by member insurers.
- 4 (e) This chapter does not provide coverage for or with respect to the
- 5 following:
- 6 (1) A part of a certificate, policy, or contract:
  - 7 (A) not guaranteed by the insurer; or
  - 8 (B) under which the risk is borne by the payee, certificate
  - 9 holder, or the policy or contract owner.
- 10 (2) A reinsurance policy or contract, unless and to the extent that
- 11 assumption certificates have been issued under the reinsurance
- 12 policy or contract.
- 13 (3) A part of a certificate, policy, or contract to the extent that the
- 14 certificate's, policy's, or contract's interest rate, crediting rate, or
- 15 similar factor employed in calculating returns or changes in
- 16 values, whether expressly stated in the certificate, policy, or
- 17 contract or determined by use of an index or other external
- 18 referent stated in the certificate, policy, or contract, either:
  - 19 (A) when averaged over a period of four (4) years immediately
  - 20 before the applicable coverage date, exceeds the rate of
  - 21 interest determined by subtracting two (2) percentage points
  - 22 from Moody's Corporate Bond Yield Average averaged for the
  - 23 same four (4) year period or for a lesser period if the
  - 24 certificate, policy, or contract was issued less than four (4)
  - 25 years before the applicable coverage date; or
  - 26 (B) in effect under the certificate, policy, or contract on and
  - 27 after the applicable coverage date, exceeds the rate of interest
  - 28 determined by subtracting three (3) percentage points from
  - 29 Moody's Corporate Bond Yield Average as most recently
  - 30 available on the applicable coverage date.
- 31 (4) The obligations of a plan or program of an employer, an
- 32 association, or another person to provide life, health, or annuity
- 33 benefits to the employer's, association's, or other person's
- 34 employees, members, or others, including obligations arising
- 35 under and benefits payable by the employer, association, or other
- 36 person under a multiple employer welfare arrangement.
- 37 (5) A minimum premium group insurance plan.
- 38 (6) A stop-loss or excess loss insurance policy or contract
- 39 providing for the indemnification of or payment to a policy owner,
- 40 a contract owner, a plan, or another person obligated to pay life,
- 41 health, or annuity benefits or to provide services in connection
- 42 with a benefit plan or another plan, fund, or program for the

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- 1 provision of employee welfare or pension benefits.
- 2 (7) An administrative services only contract.
- 3 (8) A part of a certificate, policy, or contract to the extent that the
- 4 certificate, policy, or contract provides for:
- 5 (A) dividends or experience rating credits;
- 6 (B) voting rights; or
- 7 (C) payment of fees or allowances to a person, including the
- 8 certificate holder or policy or contract owner, in connection
- 9 with service with respect to or administration of the certificate,
- 10 policy, or contract.
- 11 (9) A certificate, policy, or contract issued in Indiana by a
- 12 member insurer when the member insurer did not have a
- 13 certificate of authority to issue the certificate, policy, or contract
- 14 in Indiana.
- 15 (10) An unallocated annuity contract issued to or in connection
- 16 with a benefit plan protected by the federal Pension Benefit
- 17 Guaranty Corporation, regardless of whether the federal Pension
- 18 Benefit Guaranty Corporation has yet been required to make
- 19 payments with respect to the benefit plan.
- 20 (11) An unallocated annuity contract or part of an unallocated
- 21 annuity contract that is not issued to or in connection with a
- 22 benefit plan or a government lottery.
- 23 (12) A certificate, policy, or contract or part of a certificate,
- 24 policy, or contract with respect to which the Class B assessments
- 25 contemplated by section 6 of this chapter may not be made or
- 26 collected under federal or state law.
- 27 (13) An obligation or claim that does not arise under the express
- 28 written terms of the policy or contract issued by the member
- 29 insurer to the contract owner or policy owner, including any of the
- 30 following obligations and claims:
- 31 (A) Obligations and claims based on marketing materials.
- 32 (B) Obligations and claims based on side letters, riders, or
- 33 other documents issued by the member insurer without
- 34 meeting applicable policy form filing or approval
- 35 requirements.
- 36 (C) Obligations and claims based on actual or alleged
- 37 misrepresentations.
- 38 (D) Obligations and claims that are extracontractual claims.
- 39 (E) Obligations and claims for penalties or consequential,
- 40 incidental, punitive, or exemplary damages.
- 41 (14) An obligation to provide a book value accounting guaranty
- 42 for defined contribution benefit plan participants by reference to

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1 a portfolio of assets that is owned by the:

2 (A) benefit plan; or

3 (B) benefit plan's trustee;

4 that is not an affiliate of the member insurer.

5 (15) A part of a certificate, policy, or contract to the extent the:

6 (A) certificate, policy, or contract provides for the certificate's,  
7 policy's, or contract's interest rate, crediting rate, or similar  
8 factor employed in calculating returns or changes in values, to  
9 be determined by use of an index or other external referent  
10 stated in the certificate, policy, or contract; and

11 (B) returns or changes in value have not been credited to the  
12 certificate, policy, or contract, or as to which the certificate  
13 holder's or policy or contract owner's rights are subject to  
14 forfeiture, as of the applicable coverage date.

15 If a certificate's, policy's, or contract's returns or changes in values  
16 are credited to the certificate, policy, or contract less frequently  
17 than annually, for purposes of determining the returns and values  
18 that have been credited and are not subject to forfeiture under this  
19 subdivision, the returns and changes in value determined by using  
20 the procedures defined in the certificate, policy, or contract must  
21 be considered credited as if the contractual date of crediting  
22 returns or changes in values were the applicable coverage date,  
23 and those credited returns or changes in value are not subject to  
24 forfeiture under this subdivision, but will be subject to any other  
25 applicable limitations under this chapter.

26 (16) A funding agreement.

27 (17) An annuity not subject to regulation as described in  
28 IC 27-1-12.4.

29 **(18) A certificate, policy, or contract that provides a hospital,  
30 medical, prescription drug, or other health care benefit  
31 under:**

32 **(A) Part C of Title XVIII of the federal Social Security Act  
33 (42 U.S.C. 1395w-21 through 1395w-28);**

34 **(B) Part D of Title XVIII of the federal Social Security Act  
35 (42 U.S.C. 1395w-101 through 1395w-153); or**

36 **(C) regulations adopted under a law specified in clause (A)  
37 or (B).**

38 (f) The benefits that the association is obligated to cover do not  
39 exceed the lesser of the following:

40 (1) The contractual obligations for which the member insurer is  
41 liable or would have been liable if the member insurer were not  
42 an impaired insurer or insolvent insurer.

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- 1 (2) The applicable limitations as follows:
- 2 (A) With respect to certificates, policies, and contracts not
- 3 subject to clause (B), (C), (E), or (F), with respect to one (1)
- 4 life, regardless of the number of policies or contracts, the
- 5 following limitations:
- 6 (i) Three hundred thousand dollars (\$300,000) in life
- 7 insurance death benefits, but not more than one hundred
- 8 thousand dollars (\$100,000) in net cash surrender and net
- 9 cash withdrawal values.
- 10 (ii) ~~Three hundred thousand dollars (\$300,000) in health~~
- 11 ~~insurance benefits, but not more than~~ One hundred thousand
- 12 dollars (\$100,000) in **health insurance benefits (other than**
- 13 **disability insurance, basic hospital, medical, and surgical**
- 14 **insurance, major medical insurance, and long term care**
- 15 **insurance), including** net cash surrender and net cash
- 16 withdrawal values.
- 17 (iii) **Three hundred thousand dollars (\$300,000) in health**
- 18 **insurance benefits that are disability insurance.**
- 19 (iv) **Three hundred thousand dollars (\$300,000) in health**
- 20 **insurance benefits under one (1) or more long term care**
- 21 **insurance policies (as defined in IC 27-8-12-5).**
- 22 (v) **Five hundred thousand dollars (\$500,000) in health**
- 23 **insurance benefits that are basic hospital, medical, and**
- 24 **surgical insurance or major medical insurance.**
- 25 (iii) (vi) ~~One Two~~ hundred **fifty** thousand dollars (~~\$100,000~~)
- 26 (**\$250,000**) in the present value of annuity benefits,
- 27 including net cash surrender and net cash withdrawal values.
- 28 (B) With respect to unallocated annuity contracts issued to or
- 29 in connection with a governmental benefit plan established
- 30 under Section 401, 403(b), or 457 of the United States Internal
- 31 Revenue Code, ~~one two~~ hundred **fifty** thousand dollars
- 32 (~~\$100,000~~) (**\$250,000**) in the present value of annuity benefits,
- 33 including net cash surrender and net cash withdrawal values,
- 34 per participant.
- 35 (C) With respect to structured settlement annuities, ~~one two~~
- 36 hundred **fifty** thousand dollars (~~\$100,000~~) (**\$250,000**) in the
- 37 present value of annuity benefits, including net cash surrender
- 38 and net cash withdrawal values, per payee.
- 39 (D) In addition to the foregoing limitations, the association is
- 40 not obligated to cover more than:
- 41 (i) an aggregate of three hundred thousand dollars
- 42 (\$300,000) in benefits with respect to any one (1) person

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1 under clauses (A), (B), and (C), **except with respect to**  
 2 **benefits for basic hospital, medical, and surgical**  
 3 **insurance and major medical insurance under clause**  
 4 **(A)(v), an aggregate of five hundred thousand dollars**  
 5 **(\$500,000) with respect to any one (1) person; or**  
 6 (ii) with respect to one (1) owner of multiple nongroup  
 7 policies of life insurance, whether the policy owner is an  
 8 individual, a firm, a corporation, or another person, and  
 9 whether the persons insured are officers, managers,  
 10 employees, or other persons, five million dollars  
 11 (\$5,000,000) in benefits, including net cash surrender and  
 12 net cash withdrawal values, regardless of the number of  
 13 policies and contracts held by the owner.  
 14 (E) With respect to unallocated annuity contracts issued to or  
 15 in connection with a government lottery, five million dollars  
 16 (\$5,000,000) in benefits per contract owner, regardless of the  
 17 number of contracts held by the contract owner.  
 18 (F) With respect to unallocated annuity contracts:  
 19 (i) issued to or in connection with a benefit plan; and  
 20 (ii) not subject to clause (B);  
 21 five million dollars (\$5,000,000) in benefits per plan sponsor,  
 22 regardless of the number of unallocated annuity contracts  
 23 entitled to coverage under this chapter.  
 24 (g) The limitations set forth in subsection (f) are limitations on the  
 25 benefits for which the association is obligated before taking into  
 26 account the:  
 27 (1) association's subrogation and assignment rights; or  
 28 (2) extent to which the benefits could be provided out of the  
 29 assets of the impaired insurer or insolvent insurer attributable to  
 30 covered policies.  
 31 The costs of discharging the association's obligations under this chapter  
 32 may be met by the use of assets attributable to covered policies or  
 33 reimbursed to the association under the association's subrogation and  
 34 assignment rights.  
 35 (h) In discharging the association's obligations to provide coverage  
 36 under this chapter, the association is not required to:  
 37 (1) guarantee, assume, reinsure, or perform;  
 38 (2) cause to be guaranteed, assumed, reinsured, or performed; or  
 39 (3) otherwise assure the discharge of;  
 40 the obligations of the insolvent insurer or impaired insurer under a  
 41 covered policy that do not materially affect the economic values or  
 42 economic benefits of the covered policy.

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1 SECTION 34. IC 27-8-8-15, AS AMENDED BY P.L.193-2006,  
2 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2013]: Sec. 15. All proceedings in which an insolvent insurer  
4 is a party in any court in Indiana shall be stayed for ~~sixty (60)~~ **one**  
5 **hundred eighty (180)** days from the date an order of liquidation is  
6 entered to permit proper legal action by the association on matters  
7 germane to its powers or duties. As to judgment under any decision,  
8 order, verdict, or finding based on default, the association may apply  
9 to have the judgment set aside by the same court that made the  
10 judgment and is entitled to defend against the suit on the merits.

11 SECTION 35. IC 35-43-9-4 IS AMENDED TO READ AS  
12 FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 4. As used in this  
13 chapter, "title insurance agent" means a person who holds a limited  
14 lines producer's license issued under ~~IC 27-1-15.6-18(4)~~  
15 **IC 27-1-15.6-18(3)** and disburses funds from a title insurance escrow  
16 account to a party in connection with a residential real property  
17 transaction.

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## 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.

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## 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**

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**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

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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

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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:



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(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".



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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"**.

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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

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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.

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