IC 27-1-12.8
Chapter 12.8. Standard Valuation Law

IC 27-1-12.8-1
"Accident and sickness insurance"

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-2
"Appointed actuary"

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

(b) On and after the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "appointed actuary" means a qualified actuary who is appointed in accordance with the valuation manual to prepare an actuarial opinion required by section 23 of this chapter.

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-3
"Change in fund basis"

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-4
"Company"

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

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

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

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

in Indiana that is in force or subject to at least one (1) outstanding claim; or
(2) issued, delivered, or reinsured a policy or contract described in subdivision (1)(A) or (1)(B) in another state and is required to hold a certificate of authority to issue, deliver, or reinsure a policy or contract described in subdivision (1)(A) or (1)(B) in Indiana.

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-5
"Confidential information"

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

(1) A supporting memorandum submitted under section 21, 22, or 23 of this chapter and any other documents, materials, and other information, including all working papers and copies of working papers that are created, produced, or obtained by or disclosed to the commissioner or another person in connection with the supporting memorandum.
(2) All documents, materials, and other information, including all working papers and copies of working papers that are created, produced, or obtained by or disclosed to the commissioner or another person in the course of an examination made under section 34(f) of this chapter. However, if an examination report or other material prepared in connection with an examination made under IC 27-1-3.1 is not maintained as private and confidential information under IC 27-1-3.1, an examination report or other material prepared in connection with an examination made under section 34(f) of this chapter is not confidential to the same extent as if the examination report or other material had been prepared under IC 27-1-3.1.
(3) A report, document, material, or other information developed by a company in support of or in connection with an annual certification by the company under section 35(c)(2) of this chapter evaluating the effectiveness of the company's internal controls with respect to a principle based valuation and any other document, material, or other information, including all working papers and copies of working papers that are created, produced, or obtained by or disclosed to the commissioner or another person in connection with the report, document, material, or other information.
(4) A principle based valuation report developed under section 35(c)(3) of this chapter and any document, material, or other information, including all working papers and copies of working papers that are created, produced, or obtained by or disclosed to the commissioner or another person in connection with the report.
(5) A document, material, data, or other information submitted

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

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-6
"Contract"

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-7
"Contractholder behavior"

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

(1) lapse;
(2) withdrawal;
(3) transfer;
(4) deposit;
(5) premium payment;
(6) loan;
(7) annuitization;
(8) benefit elections; and
(9) other options;

under the contract.

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-8
"Deposit type contract"

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-9

"Issue year basis"

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-10

"Life insurance"

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-11

"NAIC"

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-12

"Plan type"

Sec. 12. As used in this chapter, "plan type" refers to the following:

(1) "Plan Type A" means a plan type for which a contractholder:

(A) may not withdraw funds; or

(B) at any time may withdraw funds only:

(i) with an adjustment to reflect changes in interest rates or asset values occurring after receipt of the funds by the company;

(ii) without an adjustment, but with installments over at least five (5) years; or
(iii) as an immediate life annuity.

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

(3) "Plan Type C" means a plan type for which a contractholder may withdraw funds before expiration of the interest rate guarantee in a single sum or installments over less than five (5) years:
(A) without adjustment to reflect changes in interest rates or asset values occurring after receipt of the funds by the company; or
(B) subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund.

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-13
"Principal based valuation"

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-14
"Qualified actuary"

Sec. 14. (a) Before the operative date of the valuation manual specified in section 34 of this chapter, as used in this chapter, "qualified actuary" means an individual who is qualified to sign the applicable statement of actuarial opinion in accordance with the American Academy of Actuaries qualification standards.

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-15
"Reserves"

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-16
"Tail risk"

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-17
"Valuation manual"

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-18
Net reserve value of contracts issued before transition date or January 1, 1948; mortality tables

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

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

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

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

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

expense, an actuary to make the valuation or the department may accept a valuation made by the company, as determined by the department.
(2) In making a valuation under subdivision (1), the department or a representative of the department shall compute the net reserve value according to the terms of the contract. If a contract provides term insurance, or for a valuation as term insurance for any time covered by the contract, the valuation of the contract must be in accordance with the provision in the contract. However, a contract issued after March 5, 1909:
(A) may provide for not more than one (1) year of preliminary term insurance; and
(B) if the premium charged for term insurance under:
(i) a limited payment life preliminary term contract providing for the payment of less than twenty (20) annual premiums; or
(ii) an endowment preliminary term contract;
exceeds the premium charged for life insurance under twenty (20) payment life preliminary term contracts of the same company, the reserve on the contract at the end of any year, including the first, must not be less than the reserve on a twenty (20) payment life preliminary term contract issued in the same year at the same age, together with an amount that is equivalent to the accumulation of a net level premium sufficient to provide for a pure endowment at the end of the premium payment period equal to the difference between the value at the end of the period of the twenty (20) payment life preliminary term contract and the full reserve at the time of the limited payment life or endowment contract.
(3) All contracts of life insurance, including contracts issued on a reducing premium plan or a return premium plan, must be valued according to this article. However, if the actual premium charged for an insurance contract is less than the net premium for the insurance contract, based on the American Men Ultimate Table of Mortality with three and one-half percent (3 1/2%) interest, the company must also establish an additional reserve equal to the value of an annuity, the amount of which must be equal to the difference between the premium charged and the net premium for insurance based on the American Men Ultimate Table with three and one-half percent (3 1/2%) interest and a term in years that is equal to the number of future annual payments due on the insurance at the date of valuation.
(4) Insurance against permanent mental or physical disability resulting from accident or disease or against accidental death, combined with a contract of life insurance, must be valued on a basis of fifty percent (50%) of the additional annual premium charged for the insurance.
(5) The department may at any time during the year ascertain

the net reserve value of the contracts of a company, as provided in this section, to determine the solvency of the company.

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-19

Valuation of contracts, annuities, and endowment contracts after transition date or January 1, 1948, and before operative date of valuation manual

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

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

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

(b) In calculating reserves, the commissioner may use group methods and approximate averages for fractions of a year or otherwise. In lieu of the valuation of the reserves required of a foreign or alien company, the commissioner may accept a valuation made, or caused to be made, by the insurance supervisory official of another state or jurisdiction when the valuation complies with the minimum standard provided in sections 19 through 40 of this chapter.

(c) Sections:

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

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

(d) The minimum standard for the valuation of contracts issued before the transition date selected by a company under

IC 27-1-12-12, the transition date in no event to be later than January 1, 1948, is the minimum standard specified in section 18 of this chapter.
As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-20
Annual reserve valuation

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

(1) of each company; and
(2) issued on or after the operative date of the valuation manual.

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

(b) Sections 34 and 35 of this chapter apply to all contracts issued on or after the operative date of the valuation manual.
As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-21
Annual submission of qualified actuary opinion; requirements

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

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

(1) are computed appropriately;
(2) are based on assumptions that satisfy contractual provisions;
(3) are consistent with previously reported amounts; and
(4) comply with applicable laws of the state.

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

(1) must specify the information to be included in an actuary's opinion submitted under this section;
(2) may require the inclusion in the opinion of other items of information that the commissioner considers necessary to the scope of the opinion; and
(3) must provide for disciplinary action against a company or a qualified actuary that violates this section.

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

(1) the benefits under;

(2) the expenses associated with; and

(3) any other obligations under;

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

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

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

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

(2) If:

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

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

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

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

(1) The opinion must:

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

(B) reflect the valuation of reserves for each year ending after December 31, 1994.

(2) The opinion must:

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

(B) meet all requirements concerning form and content established by the commissioner in rules adopted under

IC 4-22-2.

(3) The opinion must be based on:

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

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

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

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

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

(2) the commissioner;

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-22

Supporting memorandum; confidentiality and privilege

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

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

(1) are confidential;

(2) are not subject to subpoena; and

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

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

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

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

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

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

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

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

(e) The commissioner:

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

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

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

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

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

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

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

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

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

(2) be released by the commissioner:

(A) with the written consent of the company; or

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

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

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

(h) If any part of a supporting memorandum described in section 21 of this chapter is:

(1) cited by the company in the company's marketing;

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

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

all parts of the supporting memorandum are no longer confidential.

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

insurance contracts.
As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-23
Annual submission of appointed actuary opinion; supporting memorandum; requirements

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

(b) A company with outstanding life insurance contracts, accident and sickness insurance contracts, or deposit-type contracts in Indiana that is subject to regulation by the commissioner shall:

(1) annually submit the opinion of the appointed actuary concerning whether the reserves and related actuarial items held in support of the contracts:

(A) are computed appropriately;

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

(C) are consistent with previously reported amounts; and

(D) comply with applicable Indiana law;

according to the specific requirements prescribed by the valuation manual; and

(2) except as exempted in the valuation manual, annually submit the opinion of the appointed actuary concerning whether the reserves and related actuarial items held in support of the contracts specified in the valuation manual, when considered with the assets held by the company with respect to the reserves and related actuarial items including the:

(A) investment earnings on the assets; and

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

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

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

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

(2) If:

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

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

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

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

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

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

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

(4) The opinion must be based on:

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

(B) additional standards prescribed in the valuation manual.

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-24

Minimum standard for valuation of contracts; mortality tables

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

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

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

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

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

(B) five and one-half percent (5 1/2%) interest for single

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

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

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

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

(B) for any category of contracts issued:

(i) on male risks; and

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

the Commissioners 1958 Standard Ordinary Mortality Table;

(C) for any category of contracts issued:

(i) on female risks; and

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

the Commissioners 1958 Standard Ordinary Mortality Table with all modified net premiums and present values referred to in sections 19 through 40 of this chapter calculated according to an age not more than six (6) years younger than the actual age of the insured; and

(D) for contracts issued on or after the operative date of IC 27-1-12-7(dd):

(i) the Commissioners 1980 Standard Ordinary Mortality Table;

(ii) at the election of the company for one (1) or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors; or

(iii) an ordinary mortality table, adopted after 1980 by the NAIC, which is approved by rule adopted by the department under IC 4-22-2 for use in determining the minimum standard of valuation for the contracts.

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

(A) the 1941 Standard Industrial Mortality Table for contracts bearing a date of issue before the operative date of the seventh paragraph of IC 27-1-12-7(d); and

(B) for contracts bearing a date of issue that is the same as or later than the operative date described in clause (A), the Commissioners 1961 Standard Industrial Mortality Table or an industrial mortality table adopted after 1980 by the NAIC that is approved by rule adopted by the department under IC 4-22-2 for use in determining the minimum standard of valuation for the contracts.

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

(A) the 1937 Standard Annuity Mortality Table; or

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

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

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

(A) the Group Annuity Mortality Table for 1951;

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

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

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

(A) for contracts issued after December 31, 1965, the tables of Period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 Disability Study of the Society of Actuaries, with due regard to the type of benefit or tables of disablement rates and termination rates adopted after 1980 by the NAIC, that are approved by rule adopted by the department under IC 4-22-2 for use in determining the minimum standard of valuation for those contracts;

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

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

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

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

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

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

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

(B) for contracts issued after December 31, 1960, and before

January 1, 1966:

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

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

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-25

Minimum standard for valuation of annuities and pure endowment contracts; mortality tables

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

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

(A) Either of the following:

(i) The 1971 Individual Annuity Mortality Table.

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

(B) Either of the following:

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

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

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

(A) One (1) of the following:

(i) The 1971 Individual Annuity Mortality Table.

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

(iii) A modification of a table described in item (i) or (ii)

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-26
Interest rates in determining minimum standard for valuation

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

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

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

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

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

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

(1) For life insurance,

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

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

$I = .03 + W(R - .03)$

where R1 is the lesser of R and .09,

R2 is the greater of R and .09,

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

W is the weighting factor specified in this section.

(3) For:

(A) other annuities; and

(B) guaranteed interest contracts;

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

(4) For:

(A) other annuities; and

(B) guaranteed interest contracts;

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

(5) For:

(A) other annuities; and
(B) guaranteed interest contracts;

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

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

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

(1) Weighting factors for life insurance:

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

For life insurance, the guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in the contract or under options to convert to life insurance contracts with premium rates, nonforfeiture values, or both that are guaranteed in the original contract.

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

(A) other annuities; and
(B) guaranteed interest contracts with cash settlement options:

.80

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

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

Guarantee Duration (Years)	Weighting Factor for Plan Type A	B	C

5 or less:	.80	.60	.50
More than 5, but not more than 10:	.75	.60	.50
More than 10, but not more than 20:	.65	.50	.45
More than 20:	.45	.35	.35

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

Plan Type		
A	B	C
.15	.25	.05

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

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

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

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

Plan Type		
A	B	C
.05	.05	.05

(D) For other annuities and guaranteed interest contracts:

(i) with cash settlement options, the guarantee duration is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance contracts with guarantee duration in excess of twenty (20) years; and

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

(E) A company may elect to value:

(i) annuities; and

(ii) guaranteed interest contracts;

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

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

(1) For life insurance, the lesser of:

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

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

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

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

(A) other annuities; and

(B) guaranteed interest contracts;

with cash settlement options, the average, over a period of twelve (12) months ending on June 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds published by Moody's Investors Service, Inc.

(3) For:

(A) other annuities; and

(B) guaranteed interest contracts;

with cash settlement options valued on a year of issue basis, except as provided in subdivision (2), with guarantee duration in excess of ten (10) years, the lesser of the average over a period of thirty-six (36) months or the average over a period of twelve (12) months ending on June 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds published by Moody's Investors Service, Inc.

(4) For:

(A) other annuities; and

(B) guaranteed interest contracts;

with cash settlement options valued on a year of issue basis, except as provided in subdivision (2), with guarantee duration of ten (10) years or less, the average, over a period of twelve (12) months ending on June 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds published by Moody's Investors Service, Inc.

(5) For:

(A) other annuities; and

(B) guaranteed interest contracts;

with no cash settlement options, the average, over a period of twelve (12) months ending on June 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds published by Moody's Investors Service, Inc.

(6) For:

(A) other annuities; and

(B) guaranteed interest contracts;

with cash settlement options valued on a change in fund basis, except as provided in subdivision (2), the average, over a period of twelve (12) months ending on June 30 of the calendar year of the change in the fund, of the monthly average of the composite yield on seasoned corporate bonds published by Moody's Investors Service, Inc.

(f) If:

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

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

an alternative method for determination of the reference interest rate that is adopted by the NAIC and approved under rules adopted by the commissioner under IC 4-22-2 may be substituted.

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-27
Reserves according to commissioners reserve valuation method

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

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

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

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

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

(1) for which:

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

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

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

the reserve according to the commissioners reserve valuation method on a contract anniversary that occurs on or before the assumed ending date (defined to be the first contract anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than the excess premium) is, except as provided in section 31 of this chapter, the reserve determined under subsection (d).

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

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

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

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

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

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

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

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

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

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

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

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

(B) an employee organization; or

(C) both;

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

(3) Disability and accidental death benefits provided in any

contract.

(4) All other benefits, except life insurance and endowment benefits in a life insurance contract and benefits provided by any other annuity or pure endowment contract.

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-28
Reserves according to commissioners annuity reserve method

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

(1) an employer (including a partnership or sole proprietorship);
(2) an employee organization; or
(3) both;

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

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

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-29
Aggregate reserves

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

(b) The aggregate reserves for all contracts and benefits must not be less than the aggregate reserves determined by the appointed actuary to be necessary to render an opinion required by section 21 or 23 of this chapter.
As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-30
Reserves; calculation

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

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

(c) A company that adopts a standard of valuation that produces greater aggregate reserves than the aggregate reserves calculated under sections 19 through 40 of this chapter may adopt a lower standard of valuation with the approval of the commissioner. However, the lower standard of valuation must not be lower than the minimum standard provided under this chapter. For purposes of this subsection, the holding of additional reserves previously determined by the appointed actuary to be necessary to render an opinion required by section 21 or 23 of this chapter is not the adoption of a higher standard of valuation.
As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-31
Minimum reserve requirement related to gross premium

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

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

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

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

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

(1) for which:

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

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-32

Minimum reserve requirement for certain contracts

Sec. 32. In the case of:

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-33

Accident and sickness insurance contracts

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

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

(2) For accident and sickness insurance contracts issued before the operative date of the valuation manual, the minimum standard of valuation is the standard adopted by the commissioner in rules adopted under IC 4-22-2.

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-34

Minimum standard of valuation for contracts issued on or after operative date of valuation manual; operative date determination; changes to valuation manual; requirements

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

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

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

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

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

(B) Health annual statements.

(C) Fraternal annual statements.

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

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

(B) American Samoa.

(C) The American Virgin Islands.

(D) The District of Columbia.

(E) Guam.

(F) Puerto Rico.

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

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

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

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

(B) Health annual statements.

(C) Fraternal annual statements.

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

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

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

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

(C) Minimum reserves for all other contracts.

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

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

(A) Requirements for:

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

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

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

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

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

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

(B) develop reserves that quantify:

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

(ii) the contracts' risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring.

(5) Other requirements, including requirements relating to:

(A) Reserve methods.
(B) Models for measuring risk.
(C) Generation of economic scenarios.
(D) Assumptions.
(E) Margins.
(F) Use of company experience.
(G) Risk measurement.
(H) Disclosure.
(I) Certifications.
(J) Reports.
(K) Actuarial opinions and memorandums.
(L) Transition rules.
(M) Internal controls.

(6) The data and form of the data required under section 36 of this chapter, including:
(A) the person to whom the data must be submitted;
(B) data analyses; and
(C) reporting of analyses.

(e) If:
(1) there is no specific valuation requirement; or
(2) a specific valuation requirement in the valuation manual is not, in the opinion of the commissioner, in compliance with sections 19 through 40 of this chapter;

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

(f) The commissioner may employ or contract with a qualified actuary, at the expense of a company, to:
(1) perform an actuarial examination of the company and provide an opinion concerning the appropriateness of any reserve assumption or method used by the company; or
(2) review and provide an opinion concerning the company's compliance with a requirement of this chapter. The commissioner may rely upon an opinion of a qualified actuary engaged by the commissioner of another state, district, or territory of the United States concerning sections 19 through 40 of this chapter.

(g) The commissioner may:
(1) require a company to change an assumption or method that in the opinion of the commissioner is necessary to comply with the requirements of the valuation manual or sections 19 through 40 of this chapter; and
(2) take other disciplinary action allowed by law.

A company described in subdivision (1) shall adjust reserves as required by the commissioner.
As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-35

Principal based valuation for contracts on and after operative date of valuation manual

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-36

Submission of data prescribed by valuation manual

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-37

Confidential information

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

(1) confidential by law and privileged;

(2) not subject to subpoena; and

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

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

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

(c) The commissioner may disclose confidential information to:

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

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

(3) only in the case of confidential information specified in section 5(1) and 5(4) of this chapter, the Actuarial Board for Counseling and Discipline or the successor to the Actuarial Board for Counseling and Discipline upon request stating that the confidential information is required for professional disciplinary proceedings; and

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

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

(d) The commissioner:

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

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

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

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

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

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

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

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-38

Confidential information; release

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

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

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

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

chapter is:

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

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-39

Exemptions of certain products from requirements

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

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

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

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

As added by P.L.276-2013, SEC.10.

IC 27-1-12.8-40

Conflict of laws; application of chapter

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

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

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

As added by P.L.276-2013, SEC.10.