

**304.6-143 Policies issued on or after the operative date of the valuation manual --
Application of KRS 304.6-130(2) minimum standard of valuation.**

- (1) For policies issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual shall be the minimum standard of valuation required under KRS 304.6-130(2), except as provided by subsection (5) or (7) of this section.
- (2) The operative date of the valuation manual shall be January 1 of the first calendar year following the first July 1, at which time all of the following have occurred:
 - (a) 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;
 - (b) The Standard Valuation Law, 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:
 1. Life, accident and health insurance;
 2. Health insurance; or
 3. Fraternal benefit societies, as defined in KRS 304.29-011, insurance; and
 - (c) The Standard Valuation Law, as amended by the NAIC in 2009, or legislation including substantially similar terms and provisions, has been enacted in by at least forty-two (42) of the fifty-five (55) jurisdictions, including:
 1. The fifty (50) states of the United States;
 2. American Samoa;
 3. The American Virgin Islands;
 4. The District of Columbia;
 5. Guam; and
 6. Puerto Rico.
- (3) (a) Unless a change in the valuation manual specifies a later effective date, changes to the valuation manual shall be effective on January 1 following the date when all of the following have occurred:
 1. The change to the valuation manual has been adopted by the NAIC by an affirmative vote representing:
 - a. At least three-fourths (3/4) of the members of the NAIC voting, but not less than a majority of the total membership; and
 - b. 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 prior to the vote required by subparagraph 1. of this paragraph:
 - i. Life, accident and health insurance;

- ii. Health insurance; or
 - iii. Fraternal benefit societies, as defined in KRS 304.29-011, insurance; or
- (b) The valuation manual becomes effective pursuant to an order by the commissioner.
- (4) The valuation manual shall specify the following:
 - (a) Minimum valuation standards for and definitions of the policies or contracts subject to KRS 304.6-130(2). The minimum valuation standards shall be:
 - 1. The commissioner's reserve valuation method for life insurance contracts, other than annuity contracts;
 - 2. The commissioner's annuity valuation method for annuity contracts; and
 - 3. Minimum reserves for all other policies or contracts.
 - (b) Which policies or contracts or types of policies or contracts that are subject to the requirements of a principle-based valuation, required by KRS 304.6-151(1), and the minimum valuation standards consistent with those requirements;
 - (c) For policies and contracts subject to a principle-based valuation under KRS 304.6-151(2)(c):
 - 1. Requirements for the format of the reports to the commissioner, including information necessary to determine if the valuation is appropriate and in compliance with KRS 304.6-130 to 304.6-180;
 - 2. Assumptions to be prescribed for risks over which the company does not have significant control or influence; and
 - 3. Procedures for corporate governance and oversight of the actuarial function, and a process for appropriate waiver or modification of the procedures;
 - (d) For policies not subject to a principle-based valuation under KRS 304.6-151, the minimum valuation standard shall either:
 - 1. Be consistent with the minimum standard of valuation prior to the operative date of the valuation manual; or
 - 2. Develop reserves that quantify the benefits and guarantees, and the funding associated with the contracts and their risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring;
 - (e) Other requirements, including but not limited to:
 - 1. Those relating to reserve methods;
 - 2. Models for measuring risk;
 - 3. Generation of economic scenarios;
 - 4. Assumptions;
 - 5. Margins;
 - 6. Use of company experience;

7. Risk measurement;
 8. Disclosure;
 9. Certifications;
 10. Reports;
 11. Actuarial opinions and memorandums;
 12. Transition rules; and
 13. Internal controls; and
- (f) The data and form of the data required by KRS 304.6-133 and with whom the data shall be submitted, and may specify other requirements including data analyses and reporting of analyses.
- (5) In the absence of a specific valuation requirement or if a specific valuation requirement in the valuation manual is not, in the opinion of the commissioner, in compliance with KRS 304.6-151, the company shall, with respect to the requirements, comply with minimum valuation standards prescribed by the commissioner by administrative regulation.
- (6) The commissioner may engage a qualified actuary, at the expense of the company, to perform an actuarial examination of the company and to opine on the appropriateness of a reserve assumption or method used by the company, or to review and opine on a company's compliance with any requirement set forth in KRS 304.6-130 to 304.6-180. The commissioner may rely upon the opinion of a qualified actuary, regarding KRS 304.6-130 to 304.6-180, who is engaged by the commissioner of another state, district, or territory of the United States. As used in this subsection, the term "engage" includes employment or contracting.
- (7) The commissioner may require a company to change any assumption or method that in the opinion of the commissioner is necessary to comply with the requirement of the valuation manual or KRS 304.6-130 to 304.6-180. The company shall adjust the reserves as required by the commissioner. The commissioner may take other disciplinary action as permitted under this subtitle.

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