

1 AN ACT concerning insurance.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Insurance Code is amended by  
5 changing Sections 223 and 229.2 as follows:

6 (215 ILCS 5/223) (from Ch. 73, par. 835)

7 Sec. 223. Director to value policies - Legal standard of  
8 valuation.

9 (1) For policies and contracts issued prior to the  
10 operative date of the Valuation Manual, the ~~The~~ Director shall  
11 annually value, or cause to be valued, the reserve liabilities  
12 (hereinafter called reserves) for all outstanding life  
13 insurance policies and annuity and pure endowment contracts of  
14 every life insurance company doing business in this State,  
15 except that in the case of an alien company, such valuation  
16 shall be limited to its United States business, ~~and may certify~~  
17 ~~the amount of any such reserves, specifying the mortality table~~  
18 ~~or tables, rate or rates of interest, and methods (net level~~  
19 ~~premium method or other) used in the calculation of such~~  
20 ~~reserves. Other assumptions may be incorporated into the~~  
21 ~~reserve calculation to the extent permitted by the National~~  
22 ~~Association of Insurance Commissioners' Accounting Practices~~  
23 ~~and Procedures Manual~~. In calculating such reserves, he may use

1 group methods and approximate averages for fractions of a year  
2 or otherwise. In lieu of the valuation of the reserves herein  
3 required of any foreign or alien company, he may accept any  
4 valuation made, or caused to be made, by the insurance  
5 supervisory official of any state or other jurisdiction when  
6 such valuation complies with the minimum standard ~~herein~~  
7 provided in this Section.

8 The provisions set forth in this subsection (1) and in  
9 subsections (2), (3), (4), (5), (6), and (7) of this Section  
10 shall apply to all policies and contracts, as appropriate,  
11 subject to this Section issued prior to the operative date of  
12 the Valuation Manual. The provisions set forth in subsections  
13 (8) and (9) of this Section shall not apply to any such  
14 policies and contracts.

15 For policies and contracts issued on or after the operative  
16 date of the Valuation Manual, the Director shall annually  
17 value, or cause to be valued, the reserve liabilities  
18 (reserves) for all outstanding life insurance contracts,  
19 annuity and pure endowment contracts, accident and health  
20 contracts, and deposit-type contracts of every company issued  
21 on or after the operative date of the Valuation Manual. In lieu  
22 of the valuation of the reserves required of a foreign or alien  
23 company, the Director may accept a valuation made, or caused to  
24 be made, by the insurance supervisory official of any state or  
25 other jurisdiction when the valuation complies with the minimum  
26 standard provided in this Section.

1        The provisions set forth in subsections (8) and (9) of this  
2        Section shall apply to all policies and contracts issued on or  
3        after the operative date of the Valuation Manual. ~~and if the~~  
4        ~~official of such state or jurisdiction accepts as sufficient~~  
5        ~~and valid for all legal purposes the certificate of valuation~~  
6        ~~of the Director when such certificate states the valuation to~~  
7        ~~have been made in a specified manner according to which the~~  
8        ~~aggregate reserves would be at least as large as if they had~~  
9        ~~been computed in the manner prescribed by the law of that state~~  
10       ~~or jurisdiction.~~

11       Any such company which adopts at any time a ~~has adopted any~~  
12       standard of valuation producing greater aggregate reserves  
13       than those calculated according to the minimum standard ~~herein~~  
14       provided under this Section may adopt a lower standard of  
15       valuation, with the approval of the Director, ~~adopt any lower~~  
16       ~~standard of valuation,~~ but not lower than the minimum herein  
17       provided, however, that, for the purposes of this subsection,  
18       the holding of additional reserves previously determined by the  
19       appointed ~~a qualified~~ actuary to be necessary to render the  
20       opinion required by subsection (1a) shall not be deemed to be  
21       the adoption of a higher standard of valuation. In the  
22       valuation of policies the Director shall give no consideration  
23       to, nor make any deduction because of, the existence or the  
24       possession by the company of

25                (a) policy liens created by any agreement given or  
26                assented to by any assured subsequent to July 1, 1937, for

1           which liens such assured has not received cash or other  
2           consideration equal in value to the amount of such liens,  
3           or

4           (b) policy liens created by any agreement entered into  
5           in violation of Section 232 unless the agreement imposing  
6           or creating such liens has been approved by a Court in a  
7           proceeding under Article XIII, or in the case of a foreign  
8           or alien company has been approved by a court in a  
9           rehabilitation or liquidation proceeding or by the  
10          insurance official of its domiciliary state or country, in  
11          accordance with the laws thereof.

12          (1a) This subsection shall become operative at the end of  
13          the first full calendar year following the effective date of  
14          this amendatory Act of 1991.

15                 (A) General.

16                 (1) Prior to the operative date of the Valuation  
17                 Manual, every ~~Every~~ life insurance company doing  
18                 business in this State shall annually submit the  
19                 opinion of a qualified actuary as to whether the  
20                 reserves and related actuarial items held in support of  
21                 the policies and contracts specified by the Director by  
22                 regulation are computed appropriately, are based on  
23                 assumptions that satisfy contractual provisions, are  
24                 consistent with prior reported amounts and comply with  
25                 applicable laws of this State. The Director by  
26                 regulation shall define the specifics of this opinion

1 and add any other items deemed to be necessary to its  
2 scope.

3 (2) The opinion shall be submitted with the annual  
4 statement reflecting the valuation of reserve  
5 liabilities for each year ending on or after December  
6 31, 1992.

7 (3) The opinion shall apply to all business in  
8 force including individual and group health insurance  
9 plans, in form and substance acceptable to the Director  
10 as specified by regulation.

11 (4) The opinion shall be based on standards adopted  
12 from time to time by the Actuarial Standards Board and  
13 on additional standards as the Director may by  
14 regulation prescribe.

15 (5) In the case of an opinion required to be  
16 submitted by a foreign or alien company, the Director  
17 may accept the opinion filed by that company with the  
18 insurance supervisory official of another state if the  
19 Director determines that the opinion reasonably meets  
20 the requirements applicable to a company domiciled in  
21 this State.

22 (6) For the purpose of this Section, "qualified  
23 actuary" means a member in good standing of the  
24 American Academy of Actuaries who meets the  
25 requirements set forth in its regulations.

26 (7) Except in cases of fraud or willful misconduct,

1           the qualified actuary shall not be liable for damages  
2           to any person (other than the insurance company and the  
3           Director) for any act, error, omission, decision or  
4           conduct with respect to the actuary's opinion.

5           (8) Disciplinary action by the Director against  
6           the company or the qualified actuary shall be defined  
7           in regulations by the Director.

8           (9) A memorandum, in form and substance acceptable  
9           to the Director as specified by regulation, shall be  
10          prepared to support each actuarial opinion.

11          (10) If the insurance company fails to provide a  
12          supporting memorandum at the request of the Director  
13          within a period specified by regulation or the Director  
14          determines that the supporting memorandum provided by  
15          the insurance company fails to meet the standards  
16          prescribed by the regulations or is otherwise  
17          unacceptable to the Director, the Director may engage a  
18          qualified actuary at the expense of the company to  
19          review the opinion and the basis for the opinion and  
20          prepare the supporting memorandum as is required by the  
21          Director.

22          (11) Any memorandum in support of the opinion, and  
23          any other material provided by the company to the  
24          Director in connection therewith, shall be kept  
25          confidential by the Director and shall not be made  
26          public and shall not be subject to subpoena, other than

1 for the purpose of defending an action seeking damages  
2 from any person by reason of any action required by  
3 this Section or by regulations promulgated hereunder;  
4 provided, however, that the memorandum or other  
5 material may otherwise be released by the Director (a)  
6 with the written consent of the company or (b) to the  
7 American Academy of Actuaries upon request stating  
8 that the memorandum or other material is required for  
9 the purpose of professional disciplinary proceedings  
10 and setting forth procedures satisfactory to the  
11 Director for preserving the confidentiality of the  
12 memorandum or other material. Once any portion of the  
13 confidential memorandum is cited by the company in its  
14 marketing or is cited before any governmental agency  
15 other than a state insurance department or is released  
16 by the company to the news media, all portions of the  
17 confidential memorandum shall be no longer  
18 confidential.

19 (B) Actuarial analysis of reserves and assets  
20 supporting those reserves.

21 (1) Every life insurance company, except as  
22 exempted by or under regulation, shall also annually  
23 include in the opinion required by paragraph (A) (1) of  
24 this subsection (1a), an opinion of the same qualified  
25 actuary as to whether the reserves and related  
26 actuarial items held in support of the policies and

1 contracts specified by the Director by regulation,  
2 when considered in light of the assets held by the  
3 company with respect to the reserves and related  
4 actuarial items including, but not limited to, the  
5 investment earnings on the assets and the  
6 considerations anticipated to be received and retained  
7 under the policies and contracts, make adequate  
8 provision for the company's obligations under the  
9 policies and contracts including, but not limited to,  
10 the benefits under and expenses associated with the  
11 policies and contracts.

12 (2) The Director may provide by regulation for a  
13 transition period for establishing any higher reserves  
14 which the qualified actuary may deem necessary in order  
15 to render the opinion required by this Section.

16 (1b) Actuarial Opinion of Reserves after the Operative Date  
17 of the Valuation Manual.

18 (A) General.

19 (1) Every company with outstanding life insurance  
20 contracts, accident and health insurance contracts, or  
21 deposit-type contracts in this State and subject to  
22 regulation by the Director shall annually submit the  
23 opinion of the appointed actuary as to whether the  
24 reserves and related actuarial items held in support of  
25 the policies and contracts are computed appropriately,  
26 are based on assumptions that satisfy contractual



1 provisions, are consistent with prior reported  
2 amounts, and comply with applicable laws of this State.  
3 The Valuation Manual shall prescribe the specifics of  
4 this opinion, including any items deemed to be  
5 necessary to its scope.

6 (2) The opinion shall be submitted with the annual  
7 statement reflecting the valuation of such reserve  
8 liabilities for each year ending on or after the  
9 operative date of the Valuation Manual.

10 (3) The opinion shall apply to all policies and  
11 contracts subject to paragraph (B) of this subsection  
12 (1b), plus other actuarial liabilities as may be  
13 specified in the Valuation Manual.

14 (4) The opinion shall be based on standards adopted  
15 from time to time by the Actuarial Standards Board or  
16 its successor and on additional standards as may be  
17 prescribed in the Valuation Manual.

18 (5) In the case of an opinion required to be  
19 submitted by a foreign or alien company, the Director  
20 may accept the opinion filed by that company with the  
21 insurance supervisory official of another state if the  
22 Director determines that the opinion reasonably meets  
23 the requirements applicable to a company domiciled in  
24 this State.

25 (6) Except in cases of fraud or willful misconduct,  
26 the appointed actuary shall not be liable for damages

1           to any person (other than the insurance company and the  
2           Director) for any act, error, omission, decision, or  
3           conduct with respect to the appointed actuary's  
4           opinion.

5           (7) Disciplinary action by the Director against  
6           the company or the appointed actuary shall be defined  
7           by the Director by rule.

8           (8) A memorandum, in a form and substance as  
9           specified in the Valuation Manual and acceptable to the  
10           Director, shall be prepared to support each actuarial  
11           opinion.

12           (9) If the insurance company fails to provide a  
13           supporting memorandum at the request of the Director  
14           within a period specified in the Valuation Manual or  
15           the Director determines that the supporting memorandum  
16           provided by the insurance company fails to meet the  
17           standards prescribed by the Valuation Manual or is  
18           otherwise unacceptable to the Director, the Director  
19           may engage a qualified actuary at the expense of the  
20           company to review the opinion and the basis for the  
21           opinion and prepare the supporting memorandum as is  
22           required by the Director.

23           (B) Every company with outstanding life insurance  
24           contracts, accident and health insurance contracts, or  
25           deposit-type contracts in this State and subject to  
26           regulation by the Director, except as exempted in the

1       Valuation Manual, shall also annually include in the  
2       opinion required by subparagraph (1) of paragraph (A) of  
3       this subsection (1b), an opinion of the same appointed  
4       actuary as to whether the reserves and related actuarial  
5       items held in support of the policies and contracts  
6       specified in the Valuation Manual, when considered in light  
7       of the assets held by the company with respect to the  
8       reserves and related actuarial items, including, but not  
9       limited to, the investment earnings on the assets and the  
10       considerations anticipated to be received and retained  
11       under the policies and contracts, make adequate provision  
12       for the company's obligations under the policies and  
13       contracts, including, but not limited to, the benefits  
14       under and expenses associated with the policies and  
15       contracts.

16       (2) This subsection shall apply to only those policies and  
17       contracts issued prior to the operative date of Section 229.2  
18       (the Standard Non-forfeiture Law).

19       (a) Except as otherwise in this Article provided, the  
20       legal minimum standard for valuation of contracts issued  
21       before January 1, 1908, shall be the Actuaries or Combined  
22       Experience Table of Mortality with interest at 4% per annum  
23       and for valuation of contracts issued on or after that date  
24       shall be the American Experience Table of Mortality with  
25       either Craig's or Buttolph's Extension for ages under 10  
26       and with interest at 3 1/2% per annum. The legal minimum

1 standard for the valuation of group insurance policies  
2 under which premium rates are not guaranteed for a period  
3 in excess of 5 years shall be the American Men Ultimate  
4 Table of Mortality with interest at 3 1/2% per annum. Any  
5 life company may, at its option, value its insurance  
6 contracts issued on or after January 1, 1938, in accordance  
7 with their terms on the basis of the American Men Ultimate  
8 Table of Mortality with interest not higher than 3 1/2% per  
9 annum.

10 (b) Policies issued prior to January 1, 1908, may  
11 continue to be valued according to a method producing  
12 reserves not less than those produced by the full  
13 preliminary term method. Policies issued on and after  
14 January 1, 1908, may be valued according to a method  
15 producing reserves not less than those produced by the  
16 modified preliminary term method hereinafter described in  
17 paragraph (c). Policies issued on and after January 1,  
18 1938, may be valued either according to a method producing  
19 reserves not less than those produced by such modified  
20 preliminary term method or by the select and ultimate  
21 method on the basis that the rate of mortality during the  
22 first 5 years after the issuance of such contracts  
23 respectively shall be calculated according to the  
24 following percentages of rates shown by the American  
25 Experience Table of Mortality:

26 (i) first insurance year 50% thereof;

- 1                   (ii) second insurance year 65% thereof;  
2                   (iii) third insurance year 75% thereof;  
3                   (iv) fourth insurance year 85% thereof;  
4                   (v) fifth insurance year 95% thereof.

5                   (c) If the premium charged for the first policy year  
6                   under a limited payment life preliminary term policy  
7                   providing for the payment of all premiums thereon in less  
8                   than 20 years from the date of the policy or under an  
9                   endowment preliminary term policy, exceeds that charged  
10                  for the first policy year under 20 payment life preliminary  
11                  term policies of the same company, the reserve thereon at  
12                  the end of any year, including the first, shall not be less  
13                  than the reserve on a 20 payment life preliminary term  
14                  policy issued in the same year at the same age, together  
15                  with an amount which shall be equivalent to the  
16                  accumulation of a net level premium sufficient to provide  
17                  for a pure endowment at the end of the premium payment  
18                  period, equal to the difference between the value at the  
19                  end of such period of such a 20 payment life preliminary  
20                  term policy and the full net level premium reserve at such  
21                  time of such a limited payment life or endowment policy.  
22                  The premium payment period is the period during which  
23                  premiums are concurrently payable under such 20 payment  
24                  life preliminary term policy and such limited payment life  
25                  or endowment policy.

26                  (d) The legal minimum standard for the valuations of

1 annuities issued on and after January 1, 1938, shall be the  
2 American Annuitant's Table with interest not higher than 3  
3 3/4% per annum, and all annuities issued before that date  
4 shall be valued on a basis not lower than that used for the  
5 annual statement of the year 1937; but annuities deferred  
6 10 or more years and written in connection with life  
7 insurance shall be valued on the same basis as that used in  
8 computing the consideration or premiums therefor, or upon  
9 any higher standard at the option of the company.

10 (e) The Director may vary the standards of interest and  
11 mortality as to contracts issued in countries other than  
12 the United States and may vary standards of mortality in  
13 particular cases of invalid lives and other extra hazards.

14 (f) The legal minimum standard for valuation of waiver  
15 of premium disability benefits or waiver of premium and  
16 income disability benefits issued on and after January 1,  
17 1938, shall be the Class (3) Disability Table (1926)  
18 modified to conform to the contractual waiting period, with  
19 interest at not more than 3 1/2% per annum; but in no event  
20 shall the values be less than those produced by the basis  
21 used in computing premiums for such benefits. The legal  
22 minimum standard for the valuation of such benefits issued  
23 prior to January 1, 1938, shall be such as to place an  
24 adequate value, as determined by sound insurance  
25 practices, on the liabilities thereunder and shall be such  
26 that the value of the benefits under each and every policy

1 shall in no case be less than the value placed upon the  
2 future premiums.

3 (g) The legal minimum standard for the valuation of  
4 industrial policies issued on or after January 1, 1938,  
5 shall be the American Experience Table of Mortality or the  
6 Standard Industrial Mortality Table or the Substandard  
7 Industrial Mortality Table with interest at 3 1/2% per  
8 annum by the net level premium method, or in accordance  
9 with their terms by the modified preliminary term method  
10 hereinabove described.

11 (h) Reserves for all such policies and contracts may be  
12 calculated, at the option of the company, according to any  
13 standards which produce greater aggregate reserves for all  
14 such policies and contracts than the minimum reserves  
15 required by this subsection.

16 (3) This subsection shall apply to only those policies and  
17 contracts issued on or after January 1, 1948 or such earlier  
18 operative date of Section 229.2 (the Standard Non-forfeiture  
19 Law) as shall have been elected by the insurance company  
20 issuing such policies or contracts.

21 (a) Except as otherwise provided in subsections (4),  
22 (6), and (7), the minimum standard for the valuation of all  
23 such policies and contracts shall be the Commissioners  
24 Reserve valuation method defined in paragraphs (b) and (f)  
25 of this subsection and in subsection 5, 3 1/2% interest for  
26 such policies issued prior to September 8, 1977, 5 1/2%

1 interest for single premium life insurance policies and 4  
2 1/2% interest for all other such policies issued on or  
3 after September 8, 1977, and the following tables:

4 (i) The Commissioners 1941 Standard Ordinary  
5 Mortality Table for all Ordinary policies of life  
6 insurance issued on the standard basis, excluding any  
7 disability and accidental death benefits in such  
8 policies, for such policies issued prior to the  
9 operative date of subsection (4a) of Section 229.2  
10 (Standard Non-forfeiture Law); and the Commissioners  
11 1958 Standard Ordinary Mortality Table for such  
12 policies issued on or after such operative date but  
13 prior to the operative date of subsection (4c) of  
14 Section 229.2 provided that for any category of such  
15 policies issued on female risks all modified net  
16 premiums and present values referred to in this Section  
17 ~~Act~~ may, prior to September 8, 1977, be calculated  
18 according to an age not more than 3 years younger than  
19 the actual age of the insured and, after September 8,  
20 1977, calculated according to an age not more than 6  
21 years younger than the actual age of the insured; and  
22 for such policies issued on or after the operative date  
23 of subsection (4c) of Section 229.2, (i) the  
24 Commissioners 1980 Standard Ordinary Mortality Table,  
25 or (ii) at the election of the company for any one or  
26 more specified plans of life insurance, the



1           Commissioners 1980 Standard Ordinary Mortality Table  
2           with Ten-Year Select Mortality Factors, or (iii) any  
3           ordinary mortality table adopted after 1980 by the NAIC  
4           ~~National Association of Insurance Commissioners~~ and  
5           approved by regulations promulgated by the Director  
6           for use in determining the minimum standard of  
7           valuation for such policies.

8           (ii) For all Industrial Life Insurance policies  
9           issued on the standard basis, excluding any disability  
10          and accidental death benefits in such policies--the  
11          1941 Standard Industrial Mortality Table for such  
12          policies issued prior to the operative date of  
13          subsection 4 (b) of Section 229.2 (Standard  
14          Non-forfeiture Law); and for such policies issued on or  
15          after such operative date the Commissioners 1961  
16          Standard Industrial Mortality Table or any industrial  
17          mortality table adopted after 1980 by the NAIC ~~National~~  
18          ~~Association of Insurance Commissioners~~ and approved by  
19          regulations promulgated by the Director for use in  
20          determining the minimum standard of valuation for such  
21          policies.

22          (iii) For Individual Annuity and Pure Endowment  
23          contracts, excluding any disability and accidental  
24          death benefits in such policies--the 1937 Standard  
25          Annuity Mortality Table--or, at the option of the  
26          company, the Annuity Mortality Table for 1949,

1 Ultimate, or any modification of either of these tables  
2 approved by the Director.

3 (iv) For Group Annuity and Pure Endowment  
4 contracts, excluding any disability and accidental  
5 death benefits in such policies--the Group Annuity  
6 Mortality Table for 1951, any modification of such  
7 table approved by the Director, or, at the option of  
8 the company, any of the tables or modifications of  
9 tables specified for Individual Annuity and Pure  
10 Endowment contracts.

11 (v) For Total and Permanent Disability Benefits in  
12 or supplementary to Ordinary policies or contracts for  
13 policies or contracts issued on or after January 1,  
14 1966, the tables of Period 2 disablement rates and the  
15 1930 to 1950 termination rates of the 1952 Disability  
16 Study of the Society of Actuaries, with due regard to  
17 the type of benefit, or any tables of disablement rates  
18 and termination rates adopted after 1980 by the NAIC  
19 ~~National Association of Insurance Commissioners~~ and  
20 approved by regulations promulgated by the Director  
21 for use in determining the minimum standard of  
22 valuation for such policies; for policies or contracts  
23 issued on or after January 1, 1961, and prior to  
24 January 1, 1966, either such tables or, at the option  
25 of the company, the Class (3) Disability Table (1926);  
26 and for policies issued prior to January 1, 1961, the

1 Class (3) Disability Table (1926). Any such table  
2 shall, for active lives, be combined with a mortality  
3 table permitted for calculating the reserves for life  
4 insurance policies.

5 (vi) For Accidental Death benefits in or  
6 supplementary to policies--for policies issued on or  
7 after January 1, 1966, the 1959 Accidental Death  
8 Benefits Table or any accidental death benefits table  
9 adopted after 1980 by the NAIC ~~National Association of~~  
10 ~~Insurance Commissioners~~ and approved by regulations  
11 promulgated by the Director for use in determining the  
12 minimum standard of valuation for such policies; for  
13 policies issued on or after January 1, 1961, and prior  
14 to January 1, 1966, any of such tables or, at the  
15 option of the company, the Inter-Company Double  
16 Indemnity Mortality Table; and for policies issued  
17 prior to January 1, 1961, the Inter-Company Double  
18 Indemnity Mortality Table. Either table shall be  
19 combined with a mortality table permitted for  
20 calculating the reserves for life insurance policies.

21 (vii) For Group Life Insurance, life insurance  
22 issued on the substandard basis and other special  
23 benefits--such tables as may be approved by the  
24 Director.

25 (b) Except as otherwise provided in paragraph (f) of  
26 subsection (3), subsection (5), and subsection (7)

1 reserves according to the Commissioners reserve valuation  
2 method, for the life insurance and endowment benefits of  
3 policies providing for a uniform amount of insurance and  
4 requiring the payment of uniform premiums shall be the  
5 excess, if any, of the present value, at the date of  
6 valuation, of such future guaranteed benefits provided for  
7 by such policies, over the then present value of any future  
8 modified net premiums therefor. The modified net premiums  
9 for any such policy shall be such uniform percentage of the  
10 respective contract premiums for such benefits that the  
11 present value, at the date of issue of the policy, of all  
12 such modified net premiums shall be equal to the sum of the  
13 then present value of such benefits provided for by the  
14 policy and the excess of (A) over (B), as follows:

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

26 (B) A net one year term premium for such benefits

1 provided for in the first policy year.

2 For any life insurance policy issued on or after  
3 January 1, 1987, for which the contract premium in the  
4 first policy year exceeds that of the second year with no  
5 comparable additional benefit being provided in that first  
6 year, which policy provides an endowment benefit or a cash  
7 surrender value or a combination thereof in an amount  
8 greater than such excess premium, the reserve according to  
9 the Commissioners reserve valuation method as of any policy  
10 anniversary occurring on or before the assumed ending date,  
11 defined herein as the first policy anniversary on which the  
12 sum of any endowment benefit and any cash surrender value  
13 then available is greater than such excess premium, shall,  
14 except as otherwise provided in paragraph (f) of subsection  
15 (3), be the greater of the reserve as of such policy  
16 anniversary calculated as described in the preceding part  
17 of this paragraph (b) and the reserve as of such policy  
18 anniversary calculated as described in the preceding part  
19 of this paragraph (b) with (i) the value defined in subpart  
20 A of the preceding part of this paragraph (b) being reduced  
21 by 15% of the amount of such excess first year premium,  
22 (ii) all present values of benefits and premiums being  
23 determined without reference to premiums or benefits  
24 provided for by the policy after the assumed ending date,  
25 (iii) the policy being assumed to mature on such date as an  
26 endowment, and (iv) the cash surrender value provided on

1 such date being considered as an endowment benefit. In  
2 making the above comparison, the mortality and interest  
3 bases stated in paragraph (a) of subsection (3) and in  
4 subsection (6) shall be used.

5 Reserves according to the Commissioners reserve  
6 valuation method for (i) life insurance policies providing  
7 for a varying amount of insurance or requiring the payment  
8 of varying premiums, (ii) group annuity and pure endowment  
9 contracts purchased under a retirement plan or plan of  
10 deferred compensation, established or maintained by an  
11 employer (including a partnership or sole proprietorship)  
12 or by an employee organization, or by both, other than a  
13 plan providing individual retirement accounts or  
14 individual retirement annuities under Section 408 of the  
15 Internal Revenue Code, as now or hereafter amended, (iii)  
16 disability and accidental death benefits in all policies  
17 and contracts, and (iv) all other benefits, except life  
18 insurance and endowment benefits in life insurance  
19 policies and benefits provided by all other annuity and  
20 pure endowment contracts, shall be calculated by a method  
21 consistent with the principles of this paragraph (b),  
22 except that any extra premiums charged because of  
23 impairments or special hazards shall be disregarded in the  
24 determination of modified net premiums.

25 (c) In no event shall a company's aggregate reserves  
26 for all life insurance policies, excluding disability and

1 accidental death benefits be less than the aggregate  
2 reserves calculated in accordance with the methods set  
3 forth in paragraphs (b), (f), and (g) of subsection (3) and  
4 in subsection (5) and the mortality table or tables and  
5 rate or rates of interest used in calculating  
6 non-forfeiture benefits for such policies.

7 (d) In no event shall the aggregate reserves for all  
8 policies, contracts, and benefits be less than the  
9 aggregate reserves determined by the appointed ~~qualified~~  
10 actuary to be necessary to render the opinion required by  
11 subsection (1a).

12 (e) Reserves for any category of policies, contracts or  
13 benefits as established by the Director, may be calculated,  
14 at the option of the company, according to any standards  
15 which produce greater aggregate reserves for such category  
16 than those calculated according to the minimum standard  
17 herein provided, but the rate or rates of interest used for  
18 policies and contracts, other than annuity and pure  
19 endowment contracts, shall not be higher than the  
20 corresponding rate or rates of interest used in calculating  
21 any nonforfeiture benefits provided for therein.

22 (f) If in any contract year the gross premium charged  
23 by any life insurance company on any policy or contract is  
24 less than the valuation net premium for the policy or  
25 contract calculated by the method used in calculating the  
26 reserve thereon but using the minimum valuation standards

1 of mortality and rate of interest, the minimum reserve  
2 required for such policy or contract shall be the greater  
3 of either the reserve calculated according to the mortality  
4 table, rate of interest, and method actually used for such  
5 policy or contract, or the reserve calculated by the method  
6 actually used for such policy or contract but using the  
7 minimum standards of mortality and rate of interest and  
8 replacing the valuation net premium by the actual gross  
9 premium in each contract year for which the valuation net  
10 premium exceeds the actual gross premium. The minimum  
11 valuation standards of mortality and rate of interest  
12 referred to in this paragraph (f) are those standards  
13 stated in subsection (6) and paragraph (a) of subsection  
14 (3).

15 For any life insurance policy issued on or after  
16 January 1, 1987, for which the gross premium in the first  
17 policy year exceeds that of the second year with no  
18 comparable additional benefit provided in that first year,  
19 which policy provides an endowment benefit or a cash  
20 surrender value or a combination thereof in an amount  
21 greater than such excess premium, the foregoing provisions  
22 of this paragraph (f) shall be applied as if the method  
23 actually used in calculating the reserve for such policy  
24 were the method described in paragraph (b) of subsection  
25 (3), ignoring the second paragraph of said paragraph (b).  
26 The minimum reserve at each policy anniversary of such a



1 policy shall be the greater of the minimum reserve  
2 calculated in accordance with paragraph (b) of subsection  
3 (3), including the second paragraph of said paragraph (b),  
4 and the minimum reserve calculated in accordance with this  
5 paragraph (f).

6 (g) In the case of any plan of life insurance which  
7 provides for future premium determination, the amounts of  
8 which are to be determined by the insurance company based  
9 on then estimates of future experience, or in the case of  
10 any plan of life insurance or annuity which is of such a  
11 nature that the minimum reserves cannot be determined by  
12 the methods described in paragraphs (b) and (f) of  
13 subsection (3) and subsection (5), the reserves which are  
14 held under any such plan shall:

15 (i) be appropriate in relation to the benefits and  
16 the pattern of premiums for that plan, and

17 (ii) be computed by a method which is consistent  
18 with the principles of this Standard Valuation Law, as  
19 determined by regulations promulgated by the Director.

20 (4) Except as provided in subsection (6), the minimum  
21 standard of ~~for the~~ valuation for ~~of all~~ individual annuity and  
22 pure endowment contracts issued on or after the operative date  
23 of this subsection, as defined herein, and for all annuities  
24 and pure endowments purchased on or after such operative date  
25 under group annuity and pure endowment contracts shall be the  
26 Commissioners Reserve valuation methods defined in paragraph

1 (b) of subsection (3) and subsection (5) and the following  
2 tables and interest rates:

3 (a) For individual single premium immediate annuity  
4 contracts, excluding any disability and accidental death  
5 benefits in such contracts, the 1971 Individual Annuity  
6 Mortality Table, any individual annuity mortality table  
7 adopted after 1980 by the NAIC ~~National Association of~~  
8 ~~Insurance Commissioners~~ and approved by regulations  
9 promulgated by the Director for use in determining the  
10 minimum standard of valuation for such contracts, or any  
11 modification of those tables approved by the Director, and  
12 7 1/2% interest.

13 (b) For individual and pure endowment contracts other  
14 than single premium annuity contracts, excluding any  
15 disability and accidental death benefits in such  
16 contracts, the 1971 Individual Annuity Mortality Table,  
17 any individual annuity mortality table adopted after 1980  
18 by the NAIC ~~National Association of Insurance~~  
19 ~~Commissioners~~ and approved by regulations promulgated by  
20 the Director for use in determining the minimum standard of  
21 valuation for such contracts, or any modification of those  
22 tables approved by the Director, and 5 1/2% interest for  
23 single premium deferred annuity and pure endowment  
24 contracts and 4 1/2% interest for all other such individual  
25 annuity and pure endowment contracts.

26 (c) For all annuities and pure endowments purchased

1 under group annuity and pure endowment contracts,  
2 excluding any disability and accidental death benefits  
3 purchased under such contracts, the 1971 Group Annuity  
4 Mortality Table, any group annuity mortality table adopted  
5 after 1980 by the NAIC ~~National Association of Insurance~~  
6 ~~Commissioners~~ and approved by regulations promulgated by  
7 the Director for use in determining the minimum standard of  
8 valuation for such annuities and pure endowments, or any  
9 modification of those tables approved by the Director, and  
10 7 1/2% interest.

11 After September 8, 1977, any company may file with the  
12 Director a written notice of its election to comply with the  
13 provisions of this subsection after a specified date before  
14 January 1, 1979, which shall be the operative date of this  
15 subsection for such company; provided, a company may elect a  
16 different operative date for individual annuity and pure  
17 endowment contracts from that elected for group annuity and  
18 pure endowment contracts. If a company makes no election, the  
19 operative date of this subsection for such company shall be  
20 January 1, 1979.

21 (5) This subsection shall apply to all annuity and pure  
22 endowment contracts other than group annuity and pure endowment  
23 contracts purchased under a retirement plan or plan of deferred  
24 compensation, established or maintained by an employer  
25 (including a partnership or sole proprietorship) or by an  
26 employee organization, or by both, other than a plan providing

1 individual retirement accounts or individual retirement  
2 annuities under Section 408 of the Internal Revenue Code, as  
3 now or hereafter amended.

4 Reserves according to the Commissioners annuity reserve  
5 method for benefits under annuity or pure endowment contracts,  
6 excluding any disability and accidental death benefits in such  
7 contracts, shall be the greatest of the respective excesses of  
8 the present values, at the date of valuation, of the future  
9 guaranteed benefits, including guaranteed nonforfeiture  
10 benefits, provided for by such contracts at the end of each  
11 respective contract year, over the present value, at the date  
12 of valuation, of any future valuation considerations derived  
13 from future gross considerations, required by the terms of such  
14 contract, that become payable prior to the end of such  
15 respective contract year. The future guaranteed benefits shall  
16 be determined by using the mortality table, if any, and the  
17 interest rate, or rates, specified in such contracts for  
18 determining guaranteed benefits. The valuation considerations  
19 are the portions of the respective gross considerations applied  
20 under the terms of such contracts to determine nonforfeiture  
21 values.

22 (6)(a) Applicability of this subsection. The interest  
23 rates used in determining the minimum standard for the  
24 valuation of

25 (A) all life insurance policies issued in a particular  
26 calendar year, on or after the operative date of subsection

1 (4c) of Section 229.2 (Standard Nonforfeiture Law),

2 (B) all individual annuity and pure endowment  
3 contracts issued in a particular calendar year ending on or  
4 after December 31, 1983,

5 (C) all annuities and pure endowments purchased in a  
6 particular calendar year ending on or after December 31,  
7 1983, under group annuity and pure endowment contracts, and

8 (D) the net increase in a particular calendar year  
9 ending after December 31, 1983, in amounts held under  
10 guaranteed interest contracts  
11 shall be the calendar year statutory valuation interest rates,  
12 as defined in this subsection.

13 (b) Calendar Year Statutory Valuation Interest Rates.

14 (i) The calendar year statutory valuation interest  
15 rates shall be determined according to the following  
16 formulae, rounding "I" to the nearest .25%.

17 (A) For life insurance,

$$18 \quad I = .03 + W (R1 - .03) + W/2 (R2 - .09).$$

19 (B) For single premium immediate annuities and  
20 annuity benefits involving life contingencies  
21 arising from other annuities with cash settlement  
22 options and from guaranteed interest contracts  
23 with cash settlement options,

$$24 \quad I = .03 + W (R - .03) \text{ or with prior}$$

25 approval of the Director  $I = .03 + W (Rq -$   
26  $.03).$

1           For the purposes of this subparagraph (i), "I"  
2 equals the calendar year statutory valuation interest  
3 rate, "R" is the reference interest rate defined in  
4 this subsection, "R1" is the lesser of R and .09, "R2"  
5 is the greater of R and .09, "Rq" is the quarterly  
6 reference interest rate defined in this subsection,  
7 and "W" is the weighting factor defined in this  
8 subsection.

9           (C) For other annuities with cash settlement  
10 options and guaranteed interest contracts with  
11 cash settlement options, valued on an issue year  
12 basis, except as stated in (B), the formula for  
13 life insurance stated in (A) applies to annuities  
14 and guaranteed interest contracts with guarantee  
15 durations in excess of 10 years, and the formula  
16 for single premium immediate annuities stated in  
17 (B) above applies to annuities and guaranteed  
18 interest contracts with guarantee durations of 10  
19 years or less.

20           (D) For other annuities with no cash  
21 settlement options and for guaranteed interest  
22 contracts with no cash settlement options, the  
23 formula for single premium immediate annuities  
24 stated in (B) applies.

25           (E) For other annuities with cash settlement  
26 options and guaranteed interest contracts with

1 cash settlement options, valued on a change in fund  
2 basis, the formula for single premium immediate  
3 annuities stated in (B) applies.

4 (ii) If the calendar year statutory valuation  
5 interest rate for any life insurance policy issued in  
6 any calendar year determined without reference to this  
7 subparagraph differs from the corresponding actual  
8 rate for similar policies issued in the immediately  
9 preceding calendar year by less than .5%, the calendar  
10 year statutory valuation interest rate for such life  
11 insurance policy shall be the corresponding actual  
12 rate for the immediately preceding calendar year. For  
13 purposes of applying this subparagraph, the calendar  
14 year statutory valuation interest rate for life  
15 insurance policies issued in a calendar year shall be  
16 determined for 1980, using the reference interest rate  
17 defined for 1979, and shall be determined for each  
18 subsequent calendar year regardless of when subsection  
19 (4c) of Section 229.2 (Standard Nonforfeiture Law)  
20 becomes operative.

21 (c) Weighting Factors.

22 (i) The weighting factors referred to in the  
23 formulae stated in paragraph (b) are given in the  
24 following tables.

25 (A) Weighting Factors for Life Insurance.

26 Guarantee

Weighting

1	Duration	Factors
2	(Years)	
3	10 or less	.50
4	More than 10, but not more than 20	.45
5	More than 20	.35

6           For life insurance, the guarantee duration is  
7           the maximum number of years the life insurance can  
8           remain in force on a basis guaranteed in the policy  
9           or under options to convert to plans of life  
10          insurance with premium rates or nonforfeiture  
11          values or both which are guaranteed in the original  
12          policy.

13           (B) The weighting factor for single premium  
14          immediate annuities and for annuity benefits  
15          involving life contingencies arising from other  
16          annuities with cash settlement options and  
17          guaranteed interest contracts with cash settlement  
18          options is .80.

19           (C) The weighting factors for other annuities  
20          and for guaranteed interest contracts, except as  
21          stated in (B) of this subparagraph (i), shall be as  
22          specified in tables (1), (2), and (3) of this  
23          subpart (C), according to the rules and  
24          definitions in (4), (5) and (6) of this subpart  
25          (C).

26           (1) For annuities and guaranteed interest



1 contracts valued on an issue year basis.

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

11 (2) For annuities and guaranteed interest  
 12 contracts valued on a change in fund basis, the  
 13 factors shown in (1) for Plan Types A, B and C  
 14 are increased by .15, .25 and .05,  
 15 respectively.

16 (3) For annuities and guaranteed interest  
 17 contracts valued on an issue year basis, other  
 18 than those with no cash settlement options,  
 19 which do not guarantee interest on  
 20 considerations received more than one year  
 21 after issue or purchase, and for annuities and  
 22 guaranteed interest contracts valued on a  
 23 change in fund basis which do not guarantee  
 24 interest rates on considerations received more  
 25 than 12 months beyond the valuation date, the  
 26 factors shown in (1), or derived in (2), for

1 Plan Types A, B and C are increased by .05.

2 (4) For other annuities with cash  
3 settlement options and guaranteed interest  
4 contracts with cash settlement options, the  
5 guarantee duration is the number of years for  
6 which the contract guarantees interest rates  
7 in excess of the calendar year statutory  
8 valuation interest rate for life insurance  
9 policies with guarantee durations in excess of  
10 20 years. For other annuities with no cash  
11 settlement options, and for guaranteed  
12 interest contracts with no cash settlement  
13 options, the guarantee duration is the number  
14 of years from the date of issue or date of  
15 purchase to the date annuity benefits are  
16 scheduled to commence.

17 (5) The plan types used in the above tables  
18 are defined as follows.

19 Plan Type A is a plan under which the  
20 policyholder may not withdraw funds, or may  
21 withdraw funds at any time but only (a) with an  
22 adjustment to reflect changes in interest  
23 rates or asset values since receipt of the  
24 funds by the insurance company, (b) without  
25 such an adjustment but in installments over 5  
26 years or more, or (c) as an immediate life

1 annuity.

2 Plan Type B is a plan under which the  
3 policyholder may not withdraw funds before  
4 expiration of the interest rate guarantee, or  
5 may withdraw funds before such expiration but  
6 only (a) with an adjustment to reflect changes  
7 in interest rates or asset values since receipt  
8 of the funds by the insurance company, or (b)  
9 without such adjustment but in installments  
10 over 5 years or more. At the end of the  
11 interest rate guarantee, funds may be  
12 withdrawn without such adjustment in a single  
13 sum or installments over less than 5 years.

14 Plan Type C is a plan under which the  
15 policyholder may withdraw funds before  
16 expiration of the interest rate guarantee in a  
17 single sum or installments over less than 5  
18 years either (a) without adjustment to reflect  
19 changes in interest rates or asset values since  
20 receipt of the funds by the insurance company,  
21 or (b) subject only to a fixed surrender charge  
22 stipulated in the contract as a percentage of  
23 the fund.

24 (6) A company may elect to value  
25 guaranteed interest contracts with cash  
26 settlement options and annuities with cash

1 settlement options on either an issue year  
2 basis or on a change in fund basis. Guaranteed  
3 interest contracts with no cash settlement  
4 options and other annuities with no cash  
5 settlement options shall be valued on an issue  
6 year basis. As used in this Section, "issue  
7 year basis of valuation" refers to a valuation  
8 basis under which the interest rate used to  
9 determine the minimum valuation standard for  
10 the entire duration of the annuity or  
11 guaranteed interest contract is the calendar  
12 year valuation interest rate for the year of  
13 issue or year of purchase of the annuity or  
14 guaranteed interest contract. "Change in fund  
15 basis of valuation", as used in this Section,  
16 refers to a valuation basis under which the  
17 interest rate used to determine the minimum  
18 valuation standard applicable to each change  
19 in the fund held under the annuity or  
20 guaranteed interest contract is the calendar  
21 year valuation interest rate for the year of  
22 the change in the fund.

23 (d) Reference Interest Rate. The reference interest  
24 rate referred to in paragraph (b) of this subsection is  
25 defined as follows.

26 (A) For all life insurance, the reference interest

1 rate is the lesser of the average over a period of 36  
2 months, and the average over a period of 12 months,  
3 with both periods ending on June 30, or with prior  
4 approval of the Director ending on December 31, of the  
5 calendar year next preceding the year of issue, of  
6 Moody's Corporate Bond Yield Average - Monthly Average  
7 Corporates, as published by Moody's Investors Service,  
8 Inc.

9 (B) For single premium immediate annuities and for  
10 annuity benefits involving life contingencies arising  
11 from other annuities with cash settlement options and  
12 guaranteed interest contracts with cash settlement  
13 options, the reference interest rate is the average  
14 over a period of 12 months, ending on June 30, or with  
15 prior approval of the Director ending on December 31,  
16 of the calendar year of issue or year of purchase, of  
17 Moody's Corporate Bond Yield Average - Monthly Average  
18 Corporates, as published by Moody's Investors Service,  
19 Inc.

20 (C) For annuities with cash settlement options and  
21 guaranteed interest contracts with cash settlement  
22 options, valued on a year of issue basis, except those  
23 described in (B), with guarantee durations in excess of  
24 10 years, the reference interest rate is the lesser of  
25 the average over a period of 36 months and the average  
26 over a period of 12 months, ending on June 30, or with

1 prior approval of the Director ending on December 31,  
2 of the calendar year of issue or purchase, of Moody's  
3 Corporate Bond Yield Average-Monthly Average  
4 Corporates, as published by Moody's Investors Service,  
5 Inc.

6 (D) For other annuities with cash settlement  
7 options and guaranteed interest contracts with cash  
8 settlement options, valued on a year of issue basis,  
9 except those described in (B), with guarantee  
10 durations of 10 years or less, the reference interest  
11 rate is the average over a period of 12 months, ending  
12 on June 30, or with prior approval of the Director  
13 ending on December 31, of the calendar year of issue or  
14 purchase, of Moody's Corporate Bond Yield  
15 Average-Monthly Average Corporates, as published by  
16 Moody's Investors Service, Inc.

17 (E) For annuities with no cash settlement options  
18 and for guaranteed interest contracts with no cash  
19 settlement options, the reference interest rate is the  
20 average over a period of 12 months, ending on June 30,  
21 or with prior approval of the Director ending on  
22 December 31, of the calendar year of issue or purchase,  
23 of Moody's Corporate Bond Yield Average-Monthly  
24 Average Corporates, as published by Moody's Investors  
25 Service, Inc.

26 (F) For annuities with cash settlement options and

1           guaranteed interest contracts with cash settlement  
2           options, valued on a change in fund basis, except those  
3           described in (B), the reference interest rate is the  
4           average over a period of 12 months, ending on June 30,  
5           or with prior approval of the Director ending on  
6           December 31, of the calendar year of the change in the  
7           fund, of Moody's Corporate Bond Yield Average-Monthly  
8           Average Corporates, as published by Moody's Investors  
9           Service, Inc.

10           (G) For annuities valued by a formula based on  $R_q$ ,  
11           the quarterly reference interest rate is, with the  
12           prior approval of the Director, the average within each  
13           of the 4 consecutive calendar year quarters ending on  
14           March 31, June 30, September 30 and December 31 of the  
15           calendar year of issue or year of purchase of Moody's  
16           Corporate Bond Yield Average-Monthly Average  
17           Corporates, as published by Moody's Investors Service,  
18           Inc.

19           (e) Alternative Method for Determining Reference  
20           Interest Rates. In the event that the Moody's Corporate  
21           Bond Yield Average-Monthly Average Corporates is no longer  
22           published by Moody's Investors Services, Inc., or in the  
23           event that the NAIC ~~National Association of Insurance~~  
24           ~~Commissioners~~ determines that Moody's Corporate Bond Yield  
25           Average-Monthly Average Corporates as published by Moody's  
26           Investors Service, Inc. is no longer appropriate for the

1 determination of the reference interest rate, then an  
2 alternative method for determination of the reference  
3 interest rate, which is adopted by the NAIC National  
4 ~~Association of Insurance Commissioners~~ and approved by  
5 regulations promulgated by the Director, may be  
6 substituted.

7 (7) Minimum Standards for Accident and Health (Disability,  
8 Accident and Sickness) Insurance Contracts Plans. The Director  
9 shall promulgate a regulation containing the minimum standards  
10 applicable to the valuation of health (disability, sickness and  
11 accident) plans which are issued prior to the operative date of  
12 the Valuation Manual. For accident and health (disability,  
13 accident and sickness) insurance contracts issued on or after  
14 the operative date of the Valuation Manual, the standard  
15 prescribed in the Valuation Manual is the minimum standard of  
16 valuation required under subsection (1).

17 (8) Valuation Manual for Policies Issued On or After the  
18 Operative Date of the Valuation Manual.

19 (a) For policies issued on or after the operative date  
20 of the Valuation Manual, the standard prescribed in the  
21 Valuation Manual is the minimum standard of valuation  
22 required under subsection (1), except as provided under  
23 paragraphs (e) or (g) of this subsection (8).

24 (b) The operative date of the Valuation Manual is  
25 January 1 of the first calendar year following the first  
26 July 1 when all of the following have occurred:



1           (i) The Valuation Manual has been adopted by the  
2           NAIC by an affirmative vote of at least 42 members, or  
3           three-fourths of the members voting, whichever is  
4           greater.

5           (ii) The Standard Valuation Law, as amended by the  
6           NAIC in 2009, or legislation including substantially  
7           similar terms and provisions, has been enacted by  
8           states representing greater than 75% of the direct  
9           premiums written as reported in the following annual  
10          statements submitted for 2008: life, accident and  
11          health annual statements; health annual statements; or  
12          fraternal annual statements.

13          (iii) The Standard Valuation Law, as amended by the  
14          NAIC in 2009, or legislation including substantially  
15          similar terms and provisions, has been enacted by at  
16          least 42 of the following 55 jurisdictions: the 50  
17          states of the United States, American Samoa, the  
18          American Virgin Islands, the District of Columbia,  
19          Guam, and Puerto Rico.

20          (c) Unless a change in the Valuation Manual specifies a  
21          later effective date, changes to the Valuation Manual shall  
22          be effective on January 1 following the date when the  
23          change to the Valuation Manual has been adopted by the NAIC  
24          by an affirmative vote representing:

25                 (i) at least three-fourths of the members of the  
26                 NAIC voting, but not less than a majority of the total

1 membership; and

2 (ii) members of the NAIC representing  
3 jurisdictions totaling greater than 75% of the direct  
4 premiums written as reported in the following annual  
5 statements most recently available prior to the vote in  
6 subparagraph (i) of this paragraph (c): life, accident  
7 and health annual statements; health annual  
8 statements; or fraternal annual statements.

9 (d) The Valuation Manual must specify all of the  
10 following:

11 (i) Minimum valuation standards for and  
12 definitions of the policies or contracts subject to  
13 subsection (1). Such minimum valuation standards shall  
14 be:

15 (A) the Commissioners reserve valuation method  
16 for life insurance contracts, other than annuity  
17 contracts, subject to subsection (1);

18 (B) the Commissioners annuity reserve  
19 valuation method for annuity contracts subject to  
20 subsection (1); and

21 (C) minimum reserves for all other policies or  
22 contracts subject to subsection (1).

23 (ii) Which policies or contracts or types of  
24 policies or contracts are subject to the requirements  
25 of a principle-based valuation in paragraph (a) of  
26 subsection (9) and the minimum valuation standards

1 consistent with those requirements.

2 (iii) For policies and contracts subject to a  
3 principle-based valuation under subsection (9):

4 (A) Requirements for the format of reports to  
5 the Director under subparagraph (iii) of paragraph  
6 (b) of subsection (9), and which shall include  
7 information necessary to determine if the  
8 valuation is appropriate and in compliance with  
9 this Section.

10 (B) Assumptions shall be prescribed for risks  
11 over which the company does not have significant  
12 control or influence.

13 (C) Procedures for corporate governance and  
14 oversight of the actuarial function, and a process  
15 for appropriate waiver or modification of such  
16 procedures.

17 (iv) For policies not subject to a principle-based  
18 valuation under subsection (9), the minimum valuation  
19 standard shall either:

20 (A) be consistent with the minimum standard of  
21 valuation prior to the operative date of the  
22 Valuation Manual; or

23 (B) develop reserves that quantify the  
24 benefits and guarantees and the funding associated  
25 with the contracts and their risks at a level of  
26 conservatism that reflects conditions that include

1           unfavorable events that have a reasonable  
2           probability of occurring.

3           (v) Other requirements, including, but not limited  
4           to, those relating to reserve methods, models for  
5           measuring risk, generation of economic scenarios,  
6           assumptions, margins, use of company experience, risk  
7           measurement, disclosure, certifications, reports,  
8           actuarial opinions and memorandums, transition rules,  
9           and internal controls.

10           (vi) The data and form of the data required under  
11           subsection (10) of this Section, with whom the data  
12           must be submitted, and may specify other requirements,  
13           including data analyses and the reporting of analyses.

14           (e) In the absence of a specific valuation requirement  
15           or if a specific valuation requirement in the Valuation  
16           Manual is not, in the opinion of the Director, in  
17           compliance with this Section, then the company shall, with  
18           respect to such requirements, comply with minimum  
19           valuation standards prescribed by the Director by rule.

20           (f) The Director may engage a qualified actuary, at the  
21           expense of the company, to perform an actuarial examination  
22           of the company and opine on the appropriateness of any  
23           reserve assumption or method used by the company, or to  
24           review and opine on a company's compliance with any  
25           requirement set forth in this Section. The Director may  
26           rely upon the opinion regarding provisions contained

1 within this Section of a qualified actuary engaged by the  
2 Director of another state, district, or territory of the  
3 United States. As used in this paragraph, "engage" includes  
4 employment and contracting.

5 (g) The Director may require a company to change any  
6 assumption or method that in the opinion of the Director is  
7 necessary in order to comply with the requirements of the  
8 Valuation Manual or this Section; and the company shall  
9 adjust the reserves as required by the Director. The  
10 Director may take other disciplinary action as permitted  
11 pursuant to law.

12 (9) Requirements of a Principle-Based Valuation.

13 (a) A company must establish reserves using a  
14 principle-based valuation that meets the following  
15 conditions for policies or contracts as specified in the  
16 Valuation Manual:

17 (i) Quantify the benefits and guarantees, and the  
18 funding, associated with the contracts and their risks  
19 at a level of conservatism that reflects conditions  
20 that include unfavorable events that have a reasonable  
21 probability of occurring during the lifetime of the  
22 contracts. For policies or contracts with significant  
23 tail risk, reflect conditions appropriately adverse to  
24 quantify the tail risk.

25 (ii) Incorporate assumptions, risk analysis  
26 methods, and financial models and management

1 techniques that are consistent with, but not  
2 necessarily identical to, those utilized within the  
3 company's overall risk assessment process, while  
4 recognizing potential differences in financial  
5 reporting structures and any prescribed assumptions or  
6 methods.

7 (iii) Incorporate assumptions that are derived in  
8 one of the following manners:

9 (A) The assumption is prescribed in the  
10 Valuation Manual.

11 (B) For assumptions that are not prescribed,  
12 the assumptions shall:

13 (1) be established utilizing the company's  
14 available experience, to the extent it is  
15 relevant and statistically credible; or

16 (2) to the extent that company data is not  
17 available, relevant, or statistically  
18 credible, be established utilizing other  
19 relevant, statistically credible experience.

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

24 (b) A company using a principle-based valuation for one  
25 or more policies or contracts subject to this subsection as  
26 specified in the Valuation Manual shall:

1           (i) Establish procedures for corporate governance  
2           and oversight of the actuarial valuation function  
3           consistent with those described in the Valuation  
4           Manual.

5           (ii) Provide to the Director and the board of  
6           directors an annual certification of the effectiveness  
7           of the internal controls with respect to the  
8           principle-based valuation. Such controls shall be  
9           designed to ensure that all material risks inherent in  
10           the liabilities and associated assets subject to such  
11           valuation are included in the valuation, and that  
12           valuations are made in accordance with the Valuation  
13           Manual. The certification shall be based on the  
14           controls in place as of the end of the preceding  
15           calendar year.

16           (iii) Develop and file with the Director upon  
17           request a principle-based valuation report that  
18           complies with standards prescribed in the Valuation  
19           Manual.

20           (c) A principle-based valuation may include a  
21           prescribed formulaic reserve component.

22           (10) Experience Reporting for Policies In Force On or After  
23           the Operative Date of the Valuation Manual. A company shall  
24           submit mortality, morbidity, policyholder behavior, or expense  
25           experience and other data as prescribed in the Valuation  
26           Manual.

1       (11) Confidentiality.

2       (a) For the purposes of this subsection (11),  
3       "confidential information" means any of the following:

4               (i) A memorandum in support of an opinion submitted  
5               under subsection (1) of this Section and any other  
6               documents, materials, and other information,  
7               including, but not limited to, all working papers, and  
8               copies thereof, created, produced or obtained by or  
9               disclosed to the Director or any other person in  
10              connection with the memorandum.

11              (ii) All documents, materials, and other  
12              information, including, but not limited to, all  
13              working papers, and copies thereof, created, produced,  
14              or obtained by or disclosed to the Director or any  
15              other person in the course of an examination made under  
16              paragraph (f) of subsection (8) of this Section.

17              (iii) Any reports, documents, materials, and other  
18              information developed by a company in support of, or in  
19              connection with, an annual certification by the  
20              company under subparagraph (ii) of paragraph (b) of  
21              subsection (9) of this Section evaluating the  
22              effectiveness of the company's internal controls with  
23              respect to a principle-based valuation and any other  
24              documents, materials, and other information,  
25              including, but not limited to, all working papers, and  
26              copies thereof, created, produced, or obtained by or



1 disclosed to the Director or any other person in  
2 connection with such reports, documents, materials,  
3 and other information.

4 (iv) Any principle-based valuation report  
5 developed under subparagraph (iii) of paragraph (b) of  
6 subsection (9) of this Section and any other documents,  
7 materials and other information, including, but not  
8 limited to, all working papers, and copies thereof,  
9 created, produced or obtained by or disclosed to the  
10 Director or any other person in connection with such  
11 report.

12 (v) Any documents, materials, data, and other  
13 information submitted by a company under subsection  
14 (10) of this Section (collectively, "experience data")  
15 and any other documents, materials, data, and other  
16 information, including, but not limited to, all  
17 working papers, and copies thereof, created or  
18 produced in connection with such experience data, in  
19 each case that include any potentially  
20 company-identifying or personally identifiable  
21 information, that is provided to or obtained by the  
22 Director (together with any experience data, the  
23 "experience materials") and any other documents,  
24 materials, data and other information, including, but  
25 not limited to, all working papers and copies thereof,  
26 created, produced, or obtained by or disclosed to the

1           Director or any other person in connection with such  
2           experience materials.

3           (b) Privilege for and Confidentiality of Confidential  
4           Information.

5                   (i) Except as provided in this subsection (11), a  
6                   company's confidential information is confidential by  
7                   law and privileged, and shall not be subject to the  
8                   Freedom of Information Act, subpoena, or discovery or  
9                   admissible as evidence in any private civil action;  
10                  however, the Director is authorized to use the  
11                  confidential information in the furtherance of any  
12                  regulatory or legal action brought against the company  
13                  as a part of the Director's official duties.

14                   (ii) Neither the Director nor any person who  
15                   received confidential information while acting under  
16                   the authority of the Director shall be permitted or  
17                   required to testify in any private civil action  
18                   concerning any confidential information.

19                   (iii) In order to assist in the performance of the  
20                   Director's duties, the Director may share confidential  
21                   information (A) with other state, federal, and  
22                   international regulatory agencies and with the NAIC  
23                   and its affiliates and subsidiaries and (B) in the case  
24                   of confidential information specified in subparagraphs  
25                   (i) and (iv) of paragraph (a) of subsection (11) only,  
26                   with the Actuarial Board for Counseling and Discipline

1 or its successor upon request stating that the  
2 confidential information is required for the purpose  
3 of professional disciplinary proceedings and with  
4 state, federal, and international law enforcement  
5 officials; in the case of (A) and (B), provided that  
6 such recipient agrees and has the legal authority to  
7 agree, to maintain the confidentiality and privileged  
8 status of such documents, materials, data, and other  
9 information in the same manner and to the same extent  
10 as required for the Director.

11 (iv) The Director may receive documents,  
12 materials, data, and other information, including  
13 otherwise confidential and privileged documents,  
14 materials, data, or information, from the NAIC and its  
15 affiliates and subsidiaries, from regulatory or law  
16 enforcement officials of other foreign or domestic  
17 jurisdictions, and from the Actuarial Board for  
18 Counseling and Discipline or its successor and shall  
19 maintain as confidential or privileged any document,  
20 material, data, or other information received with  
21 notice or the understanding that it is confidential or  
22 privileged under the laws of the jurisdiction that is  
23 the source of the document, material, or other  
24 information.

25 (v) The Director may enter into agreements  
26 governing the sharing and use of information

1 consistent with paragraph (b) of this subsection (11).

2 (vi) No waiver of any applicable privilege or claim  
3 of confidentiality in the confidential information  
4 shall occur as a result of disclosure to the Director  
5 under this subsection (11) or as a result of sharing as  
6 authorized in subparagraph (iii) of paragraph (b) of  
7 this subsection (11).

8 (vii) A privilege established under the law of any  
9 state or jurisdiction that is substantially similar to  
10 the privilege established under paragraph (b) of this  
11 subsection (11) shall be available and enforced in any  
12 proceeding in and in any court of this State.

13 (viii) In this subsection (11), "regulatory  
14 agency", "law enforcement agency", and "NAIC" include,  
15 but are not limited to, their employees, agents,  
16 consultants, and contractors.

17 (c) Notwithstanding paragraph (b) of this subsection  
18 (11), any confidential information specified in  
19 subparagraphs (i) and (iv) of paragraph (a) of this  
20 subsection (11):

21 (i) may be subject to subpoena for the purpose of  
22 defending an action seeking damages from the appointed  
23 actuary submitting the related memorandum in support  
24 of an opinion submitted under subsection (1) of this  
25 Section or principle-based valuation report developed  
26 under subparagraph (iii) of paragraph (b) of

1 subsection (9) of this Section by reason of an action  
2 required by this Section or by regulations promulgated  
3 under this Section;

4 (ii) may otherwise be released by the Director with  
5 the written consent of the company; and

6 (iii) once any portion of a memorandum in support  
7 of an opinion submitted under subsection (1) of this  
8 Section or a principle-based valuation report  
9 developed under subparagraph (iii) of paragraph (b) of  
10 subsection (9) of this Section is cited by the company  
11 in its marketing or is publicly volunteered to or  
12 before a governmental agency other than a state  
13 insurance department or is released by the company to  
14 the news media, all portions of such memorandum or  
15 report shall no longer be confidential.

16 (12) Exemptions.

17 (a) The Director may exempt specific product forms or  
18 product lines of a domestic company that is licensed and  
19 doing business only in Illinois from the requirements of  
20 subsection (8) of this Section, provided that:

21 (i) the Director has issued an exemption in writing  
22 to the company and has not subsequently revoked the  
23 exemption in writing; and

24 (ii) the company computes reserves using  
25 assumptions and methods used prior to the operative  
26 date of the Valuation Manual in addition to any

1 requirements established by the Director and adopted  
2 by rule.

3 (b) For any company granted an exemption under this  
4 subsection, subsections (1), (2), (3), (4), (5), (6), and  
5 (7) shall be applicable. With respect to any company  
6 applying this exemption, any reference to subsection (8)  
7 found in subsections (1), (2), (3), (4), (5), (6), and (7)  
8 shall not be applicable.

9 (13) Definitions. For the purposes of this Section, the  
10 following definitions shall apply beginning on the operative  
11 date of the Valuation Manual:

12 "Accident and health insurance" means contracts that  
13 incorporate morbidity risk and provide protection against  
14 economic loss resulting from accident, sickness, or medical  
15 conditions and as may be specified in the Valuation Manual.

16 "Appointed actuary" means a qualified actuary who is  
17 appointed in accordance with the Valuation Manual to prepare  
18 the actuarial opinion required in paragraph (b) of subsection  
19 (1) of this Section.

20 "Company" means an entity that (a) has written, issued, or  
21 reinsured life insurance contracts, accident and health  
22 insurance contracts, or deposit-type contracts in this State  
23 and has at least one such policy in force or on claim or (b) has  
24 written, issued, or reinsured life insurance contracts,  
25 accident and health insurance contracts, or deposit-type  
26 contracts in any state and is required to hold a certificate of

1 authority to write life insurance, accident and health  
2 insurance, or deposit-type contracts in this State.

3 "Deposit-type contract" means contracts that do not  
4 incorporate mortality or morbidity risks and as may be  
5 specified in the Valuation Manual.

6 "Life insurance" means contracts that incorporate  
7 mortality risk, including annuity and pure endowment  
8 contracts, and as may be specified in the Valuation Manual.

9 "NAIC" means the National Association of Insurance  
10 Commissioners.

11 "Policyholder behavior" means any action a policyholder,  
12 contract holder, or any other person with the right to elect  
13 options, such as a certificate holder, may take under a policy  
14 or contract subject to this Section including, but not limited  
15 to, lapse, withdrawal, transfer, deposit, premium payment,  
16 loan, annuitization, or benefit elections prescribed by the  
17 policy or contract, but excluding events of mortality or  
18 morbidity that result in benefits prescribed in their essential  
19 aspects by the terms of the policy or contract.

20 "Principle-based valuation" means a reserve valuation that  
21 uses one or more methods or one or more assumptions determined  
22 by the insurer and is required to comply with subsection (9) of  
23 this Section as specified in the Valuation Manual.

24 "Qualified actuary" means an individual who is qualified to  
25 sign the applicable statement of actuarial opinion in  
26 accordance with the American Academy of Actuaries

1 qualification standards for actuaries signing such statements  
2 and who meets the requirements specified in the Valuation  
3 Manual.

4 "Tail risk" means a risk that occurs either where the  
5 frequency of low probability events is higher than expected  
6 under a normal probability distribution or where there are  
7 observed events of very significant size or magnitude.

8 "Valuation Manual" means the manual of valuation  
9 instructions adopted by the NAIC as specified in this Section  
10 or as subsequently amended.

11 (Source: P.A. 95-86, eff. 9-25-07 (changed from 1-1-08 by P.A.  
12 95-632); 95-876, eff. 8-21-08.)

13 (215 ILCS 5/229.2) (from Ch. 73, par. 841.2)

14 Sec. 229.2. Standard Non-forfeiture Law for Life  
15 Insurance.

16 (1) No policy of life insurance, except as stated in  
17 subsection (8), shall be delivered or issued for delivery in  
18 this State unless it contains in substance the following  
19 provisions or corresponding provisions which in the opinion of  
20 the Director are at least as favorable to the defaulting or  
21 surrendering policyholder and are essentially in compliance  
22 with subsection (7) of this law:

23 (i) That, in the event of default in any premium payment,  
24 the company will grant, upon proper request not later than 60  
25 days after the due date of the premium in default, a paid-up



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

10 (ii) That, upon surrender of the policy within 60 days  
11 after the due date of any premium payment in default after  
12 premiums have been paid for at least 3 full years in the case  
13 of Ordinary insurance or 5 full years in the case of Industrial  
14 insurance, the company will pay, in lieu of any paid-up  
15 nonforfeiture benefit, a cash surrender value of such amount as  
16 may be hereinafter specified.

17 (iii) That a specified paid-up nonforfeiture benefit shall  
18 become effective as specified in the policy unless the person  
19 entitled to make such election elects another available option  
20 not later than 60 days after the due date of the premium in  
21 default.

22 (iv) That, if the policy shall have become paid-up by  
23 completion of all premium payments or if it is continued under  
24 any paid-up nonforfeiture benefit which became effective on or  
25 after the third policy anniversary in the case of Ordinary  
26 insurance or the fifth policy anniversary in the case of

1 Industrial insurance, the company will pay, upon surrender of  
2 the policy within 30 days after any policy anniversary, a cash  
3 surrender value of such amount as may be hereinafter specified.

4 (v) In the case of policies which cause on a basis  
5 guaranteed in the policy unscheduled changes in benefits or  
6 premiums, or which provide an option for changes in benefits or  
7 premiums other than a change to a new policy, a statement of  
8 the mortality table, interest rate, and method used in  
9 calculating cash surrender values and the paid-up  
10 nonforfeiture benefits available under the policy. In the case  
11 of all other policies, a statement of the mortality table and  
12 interest rate used in calculating the cash surrender values and  
13 the paid-up nonforfeiture benefits available under the policy,  
14 together with a table showing the cash surrender value, if any,  
15 and paid-up nonforfeiture benefit, if any, available under the  
16 policy on each policy anniversary either during the first 20  
17 policy years or during the term of the policy, whichever is  
18 shorter, such values and benefits to be calculated upon the  
19 assumption that there are no dividends or paid-up additions  
20 credited to the policy and that there is no indebtedness to the  
21 company on the policy.

22 (vi) A statement that the cash surrender values and the  
23 paid-up nonforfeiture benefits available under the policy are  
24 not less than the minimum values and benefits required by or  
25 pursuant to the insurance law of the state in which the policy  
26 is delivered; an explanation of the manner in which the cash

1 surrender values and the paid-up nonforfeiture benefits are  
2 altered by the existence of any paid-up additions credited to  
3 the policy or any indebtedness to the company on the policy; if  
4 a detailed statement of the method of computation of the values  
5 and benefits shown in the policy is not stated therein, a  
6 statement that such method of computation has been filed with  
7 the insurance supervisory official of the state in which the  
8 policy is delivered; and a statement of the method to be used  
9 in calculating the cash surrender value and paid-up  
10 nonforfeiture benefit available under the policy on any policy  
11 anniversary beyond the last anniversary for which such values  
12 and benefits are consecutively shown in the policy.

13 Any of the foregoing provisions or portions thereof not  
14 applicable by reason of the plan of insurance may, to the  
15 extent inapplicable, be omitted from the policy.

16 The company shall reserve the right to defer the payment of  
17 any cash surrender value for a period of 6 months after demand  
18 therefor with surrender of the policy.

19 (2) (i) Any cash surrender value available under the policy  
20 in the event of default in a premium payment due on any policy  
21 anniversary, whether or not required by subsection (1), shall  
22 be an amount not less than the excess, if any, of the present  
23 value, on such anniversary, of the future guaranteed benefits  
24 which would have been provided for by the policy, including any  
25 existing paid-up additions, if there had been no default, over  
26 the sum of (i) the then present value of the adjusted premiums

1 as defined in subsections 4, 4(a), 4(b) and 4(c), corresponding  
2 to premiums which would have fallen due on and after such  
3 anniversary, and (ii) the amount of any indebtedness to the  
4 company on the policy.

5 (ii) For any policy issued on or after the operative date  
6 of subsection 4(c), which provides supplemental life insurance  
7 or annuity benefits at the option of the insured for an  
8 identifiable additional premium by rider or supplemental  
9 policy provision, the cash surrender value shall be an amount  
10 not less than the sum of the cash surrender value as determined  
11 in paragraph (i) for an otherwise similar policy issued at the  
12 same age without such rider or supplemental policy provision  
13 and the cash surrender value as determined in such paragraph  
14 for a policy which provides only the benefits otherwise  
15 provided by such rider or supplemental policy provision.

16 (iii) For any family policy issued on or after the  
17 operative date of subsection 4(c), which defines a primary  
18 insured and provides term insurance on the life of the spouse  
19 of the primary insured expiring before the spouse attains age  
20 71, the cash surrender value shall be an amount not less than  
21 the sum of the cash surrender value as determined in paragraph  
22 (i) for an otherwise similar policy issued at the same age  
23 without such term insurance on the life of the spouse and the  
24 cash surrender value as determined in such paragraph for a  
25 policy which provides only the benefits otherwise provided by  
26 such term insurance on the life of the spouse.

1 (iv) Any cash surrender value available within 30 days  
2 after any policy anniversary under any policy paid up by  
3 completion of all premium payments or any policy continued  
4 under any paid-up nonforfeiture benefit, whether or not  
5 required by subsection (1), shall be an amount not less than  
6 the present value, on such anniversary, of the future  
7 guaranteed benefits provided for by the policy, including any  
8 existing paid-up additions, decreased by any indebtedness to  
9 the company on the policy.

10 (3) Any paid-up nonforfeiture benefit available under the  
11 policy in the event of default in a premium payment due on any  
12 policy anniversary shall be such that its present value as of  
13 such anniversary shall be at least equal to the cash surrender  
14 value then provided for by the policy, or if none is provided  
15 for, that cash surrender value which would have been required  
16 by this section in the absence of the condition that premiums  
17 shall have been paid for at least a specified period.

18 (4) This subsection (4) shall not apply to policies issued  
19 on or after the operative date of subsection (4c). Except as  
20 provided in the third paragraph of this subsection, the  
21 adjusted premiums for any policy shall be calculated on an  
22 annual basis and shall be such uniform percentage of the  
23 respective premium specified in the policy for each policy  
24 year, excluding any extra premiums charged because of  
25 impairments or special hazards, that the present value, at the  
26 date of issue of the policy, of all such adjusted premiums

1 shall be equal to the sum of (i) the then present value of the  
2 future guaranteed benefits provided for by the policy; (ii) 2%  
3 of the amount of insurance, if the insurance be uniform in  
4 amount, or of the equivalent uniform amount, as hereinafter  
5 defined, if the amount of insurance varies with duration of the  
6 policy; (iii) 40% of the adjusted premium for the first policy  
7 year; (iv) 25% of either the adjusted premium for the first  
8 policy year or the adjusted premium for a whole life policy of  
9 the same uniform or equivalent uniform amount with uniform  
10 premiums for the whole of life issued at the same age for the  
11 same amount of insurance, whichever is less. Provided, however,  
12 that in applying the percentages specified in (iii) and (iv)  
13 above, no adjusted premium shall be deemed to exceed 4% of the  
14 amount of insurance or uniform amount equivalent thereto. The  
15 date of issue of a policy for the purpose of this subsection  
16 shall be the date as of which the rated age of the insured is  
17 determined.

18 In the case of a policy providing an amount of insurance  
19 varying with duration of the policy, the equivalent uniform  
20 amount thereof for the purpose of this subsection shall be  
21 deemed to be the level amount of insurance, provided by an  
22 otherwise similar policy, containing the same endowment  
23 benefit or benefits, if any, issued at the same age and for the  
24 same term, the amount of which does not vary with duration and  
25 the benefits under which have the same present value at the  
26 inception of the insurance as the benefits under the policy;

1 provided, however, that in the case of a policy providing a  
2 varying amount of insurance issued on the life of a child under  
3 age 10, the equivalent uniform amount may be computed as though  
4 the amount of insurance provided by the policy prior to the  
5 attainment of age 10 were the amount provided by such policy at  
6 age 10.

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

22 Except as otherwise provided in subsections (4a) and (4b),  
23 all adjusted premiums and present values referred to in this  
24 section shall for all policies of Ordinary insurance be  
25 calculated on the basis of the Commissioners 1941 Standard  
26 Ordinary Mortality Table, provided that for any category of

1 Ordinary insurance issued on female risks adjusted premiums and  
2 present values may be calculated according to an age not more  
3 than 3 years younger than the actual age of the insured, and  
4 such calculations for all policies of Industrial insurance  
5 shall be made on the basis of the 1941 Standard Industrial  
6 Mortality Table. All calculations shall be made on the basis of  
7 the rate of interest, not exceeding 3 1/2% per annum, specified  
8 in the policy for calculating cash surrender values and paid-up  
9 nonforfeiture benefits. Provided, however, that in calculating  
10 the present value of any paid-up term insurance with  
11 accompanying pure endowment, if any, offered as a nonforfeiture  
12 benefit, the rates of mortality assumed may be not more than  
13 130% of the rates of mortality according to such applicable  
14 table. Provided, further, that for insurance issued on a  
15 substandard basis, the calculation of any such adjusted  
16 premiums and present values may be based on such other table of  
17 mortality as may be specified by the company and approved by  
18 the Director.

19 (4a) This subsection (4a) shall not apply to Ordinary  
20 policies issued on or after the operative date of subsection  
21 (4c). In the case of Ordinary policies issued on or after the  
22 operative date of this subsection (4a) as defined herein, all  
23 adjusted premiums and present values referred to in this  
24 Section shall be calculated on the basis of the Commissioners  
25 1958 Standard Ordinary Mortality Table and the rate of interest  
26 specified in the policy for calculating cash surrender values



1 and paid-up nonforfeiture benefits, provided that such rate of  
2 interest shall not exceed 3 1/2% per annum except that a rate  
3 of interest not exceeding 5 1/2% per annum may be used for  
4 policies issued on or after September 8, 1977, except that for  
5 any single premium whole life or endowment insurance policy a  
6 rate of interest not exceeding 6 1/2% per annum may be used and  
7 provided that for any category of Ordinary insurance issued on  
8 female risks, adjusted premiums and present values may be  
9 calculated according to an age not more than 6 years younger  
10 than the actual age of the insured. Provided, however, that in  
11 calculating the present value of any paid-up term insurance  
12 with accompanying pure endowment, if any, offered as a  
13 nonforfeiture benefit, the rates of mortality assumed may be  
14 not more than those shown in the Commissioners 1958 Extended  
15 Term Insurance Table. Provided, however, that for insurance  
16 issued on a substandard basis, the calculation for any such  
17 adjusted premiums and present values may be based on such other  
18 table of mortality as may be specified by the company and  
19 approved by the Director. After the effective date of this  
20 subsection (4a), any company may file with the Director written  
21 notice of its election to comply with the provisions of this  
22 subsection after a specified date before January 1, 1966. After  
23 the filing of such notice, then upon such specified date (which  
24 shall be the operative date of this subsection for such  
25 company), this subsection shall become operative with respect  
26 to the Ordinary policies thereafter issued by such company. If

1 a company makes no such election, the operative date of this  
2 subsection for such company shall be January 1, 1966.

3 (4b) This subsection (4b) shall not apply to Industrial  
4 policies issued on or after the operative date of subsection  
5 (4c). In the case of Industrial policies issued on or after the  
6 operative date of this subsection (4b) as defined herein, all  
7 adjusted premiums and present values referred to in this  
8 Section shall be calculated on the basis of the Commissioners  
9 1961 Standard Industrial Mortality Table and the rate of  
10 interest specified in the policy for calculating cash surrender  
11 values and paid-up nonforfeiture benefits, provided that such  
12 rate of interest shall not exceed 3 1/2% per annum except that  
13 a rate of interest not exceeding 5 1/2% per annum may be used  
14 for policies issued on or after September 8, 1977, except that  
15 for any single premium whole life or endowment insurance policy  
16 a rate of interest not exceeding 6 1/2% per annum may be used.  
17 Provided, however, that in calculating the present value of any  
18 paid-up term insurance with accompanying pure endowment, if  
19 any, offered as a nonforfeiture benefit, the rates of mortality  
20 assumed may be not more than those shown in the Commissioners  
21 1961 Industrial Extended Term Insurance Table. Provided,  
22 further, that for insurance issued on a substandard basis, the  
23 calculations of any such adjusted premiums and present values  
24 may be based on such other table of mortality as may be  
25 specified by the company and approved by the Director. After  
26 the effective date of this subsection (4b), any company may

1 file with the Director a written notice of its election to  
2 comply with the provisions of this subsection after a specified  
3 date before January 1, 1968. After the filing of such notice,  
4 then upon such specified date (which shall be the operative  
5 date of this subsection for such company), this subsection  
6 shall become operative with respect to the Industrial policies  
7 thereafter issued by such company. If a company makes no such  
8 election, the operative date of this subsection for such  
9 company shall be January 1, 1968.

10 (4c) (a) This subsection shall apply to all policies issued  
11 on or after its operative date. Except as provided in paragraph  
12 (g), the adjusted premiums for any policy shall be calculated  
13 on an annual basis and shall be such uniform percentage of the  
14 respective premiums specified in the policy for each policy  
15 year, excluding amounts payable as extra premiums to cover  
16 impairments or special hazards and any uniform annual contract  
17 charge or policy fee specified in the policy in a statement of  
18 the method to be used in calculating the cash surrender value  
19 and paid-up nonforfeiture benefits of the policy, that the  
20 present value, at the date of issue of the policy, of all  
21 adjusted premiums shall be equal to the sum of (i) the then  
22 present value of the future guaranteed benefits provided for by  
23 the policy; (ii) 1% of either the amount of insurance, if the  
24 insurance is uniform in amount, or the average amount of  
25 insurance at the beginning of each of the first 10 policy  
26 years; and (iii) 125% of the nonforfeiture net level premium as

1 hereinafter defined. In applying the percentage specified in  
2 (iii), however, no nonforfeiture net level premium shall exceed  
3 4% of either the amount of insurance, if the insurance is  
4 uniform in amount, or the average amount of insurance at the  
5 beginning of each of the first 10 policy years. The date of  
6 issue of a policy for the purpose of this subsection is the  
7 date as of which the rated age of the insured is determined.

8 (b) The nonforfeiture net level premium equals the present  
9 value, at the date of issue of the policy, of the guaranteed  
10 benefits provided for by the policy divided by the present  
11 value, at the date of issue of the policy, of an annuity of one  
12 per annum payable on the date of issue of the policy and on  
13 each anniversary of such policy on which a premium falls due.

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

26 (d) Except as otherwise provided in paragraph (g), the

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

16 (e) The additional expense allowance at the time of the  
17 change to the newly defined benefits or premiums shall be the  
18 sum of (i) 1% of the excess, if positive, of the average amount  
19 of insurance at the beginning of each of the first 10 policy  
20 years subsequent to the change over the average amount of  
21 insurance prior to the change at the beginning of each of the  
22 first 10 policy years subsequent to the time of the most recent  
23 previous change, or, if there has been no previous change, the  
24 date of issue of the policy; and (ii) 125% of the increase, if  
25 positive, in the nonforfeiture net level premium.

26 (f) The recalculated nonforfeiture net level premium

1 equals the result obtained by dividing X by Y, where

2 (i) X equals the sum of

3 (A) the nonforfeiture net level premium applicable prior to  
4 the change times the present value of an annuity of one per  
5 annum payable on each anniversary of the policy on or  
6 subsequent to the date of the change on which a premium would  
7 have fallen due had the change not occurred, and

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

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

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

23 (h) All adjusted premiums and present values referred to in  
24 this Section shall for all policies of ordinary insurance be  
25 calculated on the basis of the Commissioners 1980 Standard  
26 Ordinary Mortality Table or, at the election of the company for

1 any one or more specified plans of life insurance, the  
2 Commissioners 1980 Standard Ordinary Mortality Table with  
3 Ten-Year Select Mortality Factors. All adjusted premiums and  
4 present values referred to in this Section shall for all  
5 policies of Industrial insurance be calculated on the basis of  
6 the Commissioners 1961 Standard Industrial Mortality Table.  
7 All adjusted premiums and present values referred to in this  
8 Section for all policies issued in a particular calendar year  
9 shall be calculated on the basis of a rate of interest not  
10 exceeding the nonforfeiture interest rate as defined in this  
11 subsection for policies issued in that calendar year. The  
12 provisions of this paragraph are subject to the provisions set  
13 forth in subparagraphs (i) through (vii).

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

19 (ii) Under any paid-up nonforfeiture benefit, including  
20 any paid-up dividend additions, any cash surrender value  
21 available, whether or not required by subsection (1), shall be  
22 calculated on the basis of the mortality table and rate of  
23 interest used in determining the amount of such paid-up  
24 nonforfeiture benefit and paid-up dividend additions, if any.

25 (iii) A company may calculate the amount of any guaranteed  
26 paid-up nonforfeiture benefit, including any paid-up additions

1 under the policy, on the basis of an interest rate no lower  
2 than that specified in the policy for calculating cash  
3 surrender values.

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

11 (v) For insurance issued on a substandard basis, the  
12 calculation of any such adjusted premiums and present values  
13 may be based on appropriated modifications of the  
14 aforementioned tables.

15 (vi) For policies issued prior to the operative date of the  
16 Valuation Manual, any Commissioners Standard Mortality Table  
17 ~~Any ordinary mortality tables~~ adopted after 1980 by the  
18 National Association of Insurance Commissioners and approved  
19 by regulations promulgated by the Director for use in  
20 determining the minimum nonforfeiture standard may be  
21 substituted for the Commissioners 1980 Standard Ordinary  
22 Mortality Table with or without Ten-Year Select Mortality  
23 Factors or for the Commissioners 1980 Extended Term Insurance  
24 Table.

25 For policies issued on or after the operative date of the  
26 Valuation Manual, the Valuation Manual shall provide the



1 Commissioners Standard Ordinary Mortality Table for use in  
2 determining the minimum nonforfeiture standard that may be  
3 substituted for the Commissioners 1980 Standard Ordinary  
4 Mortality Table with or without Ten-Year Select Mortality  
5 Factors or for the Commissioners 1980 Extended Term Insurance  
6 Table. If the Director approves by regulation any Commissioners  
7 Standard Ordinary Mortality Table adopted by the National  
8 Association of Insurance Commissioners for use in determining  
9 the minimum nonforfeiture standard for policies issued on or  
10 after the operative date of the Valuation Manual, then that  
11 minimum nonforfeiture standard supersedes the minimum  
12 nonforfeiture standard provided by the Valuation Manual.

13 (vii) For policies issued prior to the operative date of  
14 the Valuation Manual, any Commissioners Standard Industrial  
15 Mortality Table ~~Any industrial mortality tables~~ adopted after  
16 1980 by the National Association of Insurance Commissioners and  
17 approved by regulations promulgated by the Director for use in  
18 determining the minimum nonforfeiture standard may be  
19 substituted for the Commissioners 1961 Standard Industrial  
20 Mortality Table or the Commissioners 1961 Industrial Extended  
21 Term Insurance Table.

22 For policies issued on or after the operative date of the  
23 Valuation Manual, the Valuation Manual shall provide the  
24 Commissioners Standard Industrial Mortality Table for use in  
25 determining the minimum nonforfeiture standard that may be  
26 substituted for the Commissioners 1961 Standard Industrial

1 Mortality Table or the Commissioners 1961 Industrial Extended  
2 Term Insurance Table. If the Director approves by regulation  
3 any Commissioners Standard Industrial Mortality Table adopted  
4 by the National Association of Insurance Commissioners for use  
5 in determining the minimum nonforfeiture standard for policies  
6 issued on or after the operative date of the Valuation Manual,  
7 then that minimum nonforfeiture standard supersedes the  
8 minimum nonforfeiture standard provided by the Valuation  
9 Manual.

10 (i) The nonforfeiture interest rate is defined as follows:

11 (i) For policies issued prior to the operative date of  
12 the Valuation Manual, the ~~The~~ nonforfeiture interest rate  
13 per annum for any policy issued in a particular calendar  
14 year shall be equal to 125% of the calendar year statutory  
15 valuation interest rate for such policy, as defined in the  
16 Standard Valuation Law, rounded to the nearest .25%,  
17 provided, however, that the nonforfeiture interest rate  
18 shall not be less than 4.00%.

19 (ii) For policies issued on and after the operative  
20 date of the Valuation Manual, the nonforfeiture interest  
21 rate per annum for any policy issued in a particular  
22 calendar year shall be provided by the Valuation Manual.

23 (j) Notwithstanding any other provision in this Code to the  
24 contrary, any refiling of nonforfeiture values or their methods  
25 of computation for any previously approved policy form which  
26 involves only a change in the interest rate or mortality table

1 used to compute nonforfeiture values shall not require refiling  
2 of any other provisions of that policy form.

3 (k) After the effective date of this subsection, any  
4 company may, with respect to any category of insurance, file  
5 with the Director a written notice of its election to comply  
6 with the provisions of this subsection after a specified date  
7 before January 1, 1989. That date shall be the operative date  
8 of this subsection for that category of insurance for such  
9 company. If a company makes no such election, the operative  
10 date of this subsection for that category of insurance issued  
11 by such company shall be January 1, 1989.

12 (5) In the case of any plan of life insurance which  
13 provides for future premium determination, the amounts of which  
14 are to be determined by the insurance company based on then  
15 estimates of future experience, or in the case of any plan of  
16 life insurance which is of such a nature that minimum values  
17 cannot be determined by the methods described in subsections  
18 (1), (2), (3), (4), (4a), (4b) or (4c), then

19 (a) the Director shall satisfy himself that the benefits  
20 provided under such plan are substantially as favorable to  
21 policyholders and insured parties as the minimum benefits  
22 otherwise required by subsections (1), (2), (3), (4), (4a),  
23 (4b) or (4c);

24 (b) the Director shall satisfy himself that the benefits  
25 and the pattern of premiums of that plan are not such as to  
26 mislead prospective policyholders or insured parties; and

1 (c) the cash surrender values and paid-up nonforfeiture  
2 benefits provided by such plan shall not be less than the  
3 minimum values and benefits computed by a method consistent  
4 with the principles of this Standard Nonforfeiture Law ~~law~~ for  
5 Life Insurance, as determined by regulations promulgated by the  
6 Director.

7 (6) Any cash surrender value and any paid-up nonforfeiture  
8 benefit, available under the policy in the event of default in  
9 a premium payment due at any time other than on the policy  
10 anniversary, shall be calculated with allowance for the lapse  
11 of time and the payment of fractional premiums beyond the last  
12 preceding policy anniversary. All values referred to in  
13 subsections (2), (3), (4), (4a), (4b) and (4c) may be  
14 calculated upon the assumption that any death benefit is  
15 payable at the end of the policy year of death. The net value  
16 of any paid-up additions, other than paid-up term additions,  
17 shall be not less than the amounts used to provide such  
18 additions. Notwithstanding the provisions of subsection (2),  
19 additional benefits payable (i) in the event of death or  
20 dismemberment by accident or accidental means, (ii) in the  
21 event of total and permanent disability, (iii) as reversionary  
22 annuity or deferred reversionary annuity benefits, (iv) as term  
23 insurance benefits provided by a rider or supplemental policy  
24 provision to which, if issued as a separate policy, this  
25 section would not apply, (v) as term insurance on the life of a  
26 child or on the lives of children provided in a policy on the

1 life of a parent of the child, if such term insurance expires  
2 before the child's age is 26, is uniform in amount after the  
3 child's age is one, and has not become paid-up by reason of the  
4 death of a parent of the child, and (vi) as other policy  
5 benefits additional to life insurance and endowment benefits,  
6 and premiums for all such additional benefits, shall be  
7 disregarded in ascertaining cash surrender values and  
8 nonforfeiture benefits required by this section, and no such  
9 additional benefits shall be required to be included in any  
10 paid-up nonforfeiture benefits.

11 (7) This subsection shall apply to all policies issued on  
12 or after January 1, 1987. Any cash surrender value available  
13 under the policy in the event of default in a premium payment  
14 due on any policy anniversary shall be in an amount which does  
15 not differ by more than .2% of either the amount of insurance  
16 if the insurance is uniform in amount, or the average amount of  
17 insurance at the beginning of each of the first 10 policy  
18 years, from the sum of (a) the greater of zero and the basic  
19 cash value hereinafter specified and (b) the present value of  
20 any existing paid-up additions less the amount of any  
21 indebtedness to the company under the policy.

22 The basic cash value equals the present value, on such  
23 anniversary, of the future guaranteed benefits which would have  
24 been provided for by the policy, excluding any existing paid-up  
25 additions and before deduction of any indebtedness to the  
26 company, if there had been no default, less the then present

1 value of the nonforfeiture factors, as hereinafter defined,  
2 corresponding to premiums which would have fallen due on and  
3 after such anniversary. The effects on the basic cash value of  
4 supplemental life insurance or annuity benefits or of family  
5 coverage, as described in subsection (2) or (4), whichever is  
6 applicable, shall, however, be the same as are the effects  
7 specified in subsection (2) or (4), whichever is applicable, on  
8 the cash surrender values defined in that subsection.

9 The nonforfeiture factor for each policy year equals a  
10 percentage of the adjusted premium for the policy year, as  
11 defined in subsection (4) or (4c), whichever is applicable.  
12 Except as is required by the next succeeding sentence of this  
13 paragraph, such percentage

14 (a) shall be the same percentage for each policy year  
15 between the second policy anniversary and the later of (i) the  
16 fifth policy anniversary and (ii) the first policy anniversary  
17 at which there is available under the policy a cash surrender  
18 value in an amount, before including any paid-up additions and  
19 before deducting any indebtedness, of at least .2% of either  
20 the amount of insurance, if the insurance is uniform in amount,  
21 or the average amount of insurance at the beginning of each of  
22 the first 10 policy years; and

23 (b) shall be such that no percentage after the later of the  
24 2 policy anniversaries specified in the preceding item (a) may  
25 apply to fewer than 5 consecutive policy years.

26 No basic cash value may be less than the value which would

1 be obtained if the adjusted premiums for the policy, as defined  
2 in subsection (4) or (4c), whichever is applicable, were  
3 substituted for the nonforfeiture factors in the calculation of  
4 the basic cash value.

5 All adjusted premiums and present values referred to in  
6 this subsection shall for a particular policy be calculated on  
7 the same mortality and interest bases as those used in  
8 accordance with the other subsections of this law. The cash  
9 surrender values referred to in this subsection shall include  
10 any endowment benefits provided for by the policy.

11 Any cash surrender value available other than in the event  
12 of default in a premium payment due on a policy anniversary,  
13 and the amount of any paid-up nonforfeiture benefit available  
14 under the policy in the event of default in a premium payment  
15 shall be determined in manners consistent with the manners  
16 specified for determining the analogous minimum amounts in  
17 subsections 1, 2, 3, 4c, and 6. The amounts of any cash  
18 surrender values and of any paid-up nonforfeiture benefits  
19 granted in connection with additional benefits such as those  
20 listed as items (i) through (vi) in subsection (6) shall  
21 conform with the principles of this subsection (7).

22 (8) This Section shall not apply to any of the following:

23 (a) reinsurance,

24 (b) group insurance,

25 (c) a pure endowment,

26 (d) an annuity or reversionary annuity contract,

1 (e) a term policy of uniform amount, which provides no  
2 guaranteed nonforfeiture or endowment benefits, or renewal  
3 thereof, of 20 years or less expiring before age 71, for which  
4 uniform premiums are payable during the entire term of the  
5 policy,

6 (f) a term policy of decreasing amount, which provides no  
7 guaranteed nonforfeiture or endowment benefits, on which each  
8 adjusted premium, calculated as specified in subsections (4),  
9 (4a), (4b) and (4c), is less than the adjusted premium so  
10 calculated, on a term policy of uniform amount, or renewal  
11 thereof, which provides no guaranteed nonforfeiture or  
12 endowment benefits, issued at the same age and for the same  
13 initial amount of insurance and for a term of 20 years or less  
14 expiring before age 71, for which uniform premiums are payable  
15 during the entire term of the policy,

16 (g) a policy, which provides no guaranteed nonforfeiture or  
17 endowment benefits, for which no cash surrender value, if any,  
18 or present value of any paid-up nonforfeiture benefit, at the  
19 beginning of any policy year, calculated as specified in  
20 subsections (2), (3), (4), (4a), (4b) and (4c), exceeds 2.5% of  
21 the amount of insurance at the beginning of the same policy  
22 year,

23 (h) any policy which shall be delivered outside this State  
24 through an agent or other representative of the company issuing  
25 the policy.

26 For purposes of determining the applicability of this



1 Section, the age of expiry for a joint term life insurance  
2 policy shall be the age of expiry of the oldest life.

3 (9) For the purposes of this Section:

4 "Operative date of the Valuation Manual" means the January  
5 1 of the first calendar year that the Valuation Manual is  
6 effective.

7 "Valuation Manual" has the same meaning as set forth in  
8 Section 223 of this Code.

9 (Source: P.A. 83-1465.)