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A BILL
22-276

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend the Life Insurance Act of 1934 to require the Commissioner of the Department of Insurance, Securities and Banking to annually value the reserves for life insurance contracts, annuity and pure endowment contracts, accident and health contracts, and deposit-type contracts based on the standard prescribed in the valuation manual, to provide the effective date of the valuation manual, to require the valuation manual to specify minimum valuation standards for and definitions of the policies and contracts, to determine which policies or contracts shall be subject to the requirements of the principle-based valuation and provide the requirements for those policies and contracts, to allow the Commissioner to engage a qualified actuary to examine and opine on the reserves of a company, to grant the Commissioner the authority to require a company to adjust their reserves, to require a company to establish reserves using a principle-based valuation that meets the requirements that are specified in the valuation manual, to provide that certain information of a company is privileged and confidential, to allow the Commissioner to share and receive confidential information for enforcement purposes, to provide definitions for the act, to amend the standard nonforfeiture law to provide that the policies issued on or after the operative date of the valuation manual shall use the nonforfeiture interest rate that is provided by the valuation manual; and to amend the Life Insurance Actuarial Opinion Reserves Act of 1993 to require companies in accordance to requirements established by the valuation manual to submit an opinion by an actuary that the companies reserves and related actuarial items for policies and contracts are computed appropriately.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the “Principal-Based Reserves Amendment Act of 2018”.

Sec. 2. The Life Insurance Act of 1934, approved June 19, 1934 (48 Stat. 1129; D.C. Official Code § 31-4701 *et seq.*), is amended as follows:

37 (a) Section 1 (D.C. Official Code § 31-4701) is amended as follows:

38 (1) Subsection (a)(1) is redesignated as subsection (a)(1)(A).

39 (A) The newly designated subparagraph (A) is amended as follows:

40 (i) Strike the phrase “the District, except” and insert the phrase
41 “the District issued prior to the operative date of the valuation model, except” in its place.

42 (ii) Strike the phrase “transactions in the United States, and may
43 certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of
44 interest and methods (net level premium method or other) used in the calculation of such
45 reserves.” and insert the phrase “transactions in the United States.” in its place.

46 (iii) Strike the phrase “herein provided and if the official of such
47 state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of
48 valuation of the Commission when such certificate states the valuation to have been made in a
49 specified manner according to which the aggregate reserves would be at least as large as if they
50 had been computed in the manner prescribed by the law of that state or jurisdiction.” and insert
51 the phrase “provided in this section.” in its place.

52 (B) New subparagraphs (B) and (C) are added to read as follows:

53 “(B) The provisions set forth in subsections (c), (d), (e), and (f) of this
54 section and section 20 shall apply to all policies and contracts, as appropriate, subject to this
55 section issued on or after the operative date of section 5b and prior to the operative date of the

56 valuation model. The provisions set forth in subsection (g) and (h) of this section shall not apply
57 to any such policies and contracts.

58 “(C) The minimum standard for the valuation of policies and contracts
59 issued prior to the operative date of section 5b of Chapter V of the Life Insurance Act of 1934,
60 approved June 19, 1934 (48 Stat. 1129; D.C. Official Code § 31-4705.02) shall be provided in
61 subsection (b) of this section.”.

62 (C) A new paragraph (1A) is added to read as follows:

63 “(1A)(A) The Commissioner shall annually value, or cause to be valued, the
64 reserve liabilities (“reserves”) for all outstanding life insurance contracts, annuity and pure
65 endowment contracts, accident and health contracts, and deposit-type contracts of every
66 company issued on or after the operative date of the valuation manual.

67 “(B) The provisions set forth in subsections (f), (g), and (h) of this section
68 shall apply to all policies and contracts issued on or after the operative date of the valuation
69 manual.”.

70 (2) Subsection (c) is amended as follows:

71 (A) Paragraph (2) is amended as follows:

72 (i) Strike the phrase “subsection (d) of this section” and insert the
73 phrase “subsection (d) and (f) of this section” in its place.

74 (ii) Strike the phrase “the Mayor’s reserve” and insert the phrase
75 “the Commissioner’s reserve” in its place.

76 (iii) Subparagraph (A) is amended by striking the phrase “For all
77 ordinary policies” and inserting the phrase “For ordinary policies” in its place.

78 (iv) Subparagraph (B) is amended by striking the phrase “For all
79 ordinary policies” and inserting the phrase “For ordinary policies” in its place.

80 (B) Paragraph (3) is amended as follows:

81 (i) Subparagraph (A) is amended as follows:

82 (I) Strike the phrase “standard for the valuation of all
83 individual” and insert the phrase “standard of valuation for individual” in its place.

84 (II) Strike the phrase “and for all annuities and” and insert
85 the phrase “and for annuities and” in its place.

86 (III) Strike the phrase “the Mayor’s reserve” and insert the
87 phrase “the Commissioner’s reserve” in its place.

88 (IV) Sub-subparagraph (iii) is amended by striking the
89 phrase “For all annuities and” and inserting the phrase “For annuities and” in its place.

90 (C) Paragraph (5)(B) is amended by striking the phrase “the Mayor’s
91 annuity” and inserting the phrase “the Commissioner’s annuity” in its place.

92 (D) Paragraph (7) is amended by striking the phrase “be higher than the
93 corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for
94 therein.” and inserting the phrase “be greater than the corresponding rate or rates of interest used
95 in calculating any nonforfeiture benefits provided in the policies or contracts.” in its place.

96 (3) Subsection (d)(1)(B) is amended by striking the phrase “All annuities and
97 pure” and inserting the phrase “Annuities and pure” in its place.

98 (4) New subsections (f), (g), (h), (i), (j), (k), and (l) are added to read as follows:

99 “(f) For disability and accident and sickness health insurance policies and contracts as
100 provided under section 12 and accident and long-time care health insurance policies and
101 contracts as provided under the Long-Term Care Insurance Act of 1999, effective May 23, 2000
102 (D.C. Law 13-121; D.C. Official Code § 31-3601 *et seq.*), issued on or after the operative date of
103 section 5b and before the operative date of the valuation manual, the minimum standard of
104 valuation is the standard adopted by the Commissioner by regulation. For accident and health
105 insurance policies and contracts issued on or after the operative date of the valuation manual, the
106 standard prescribed in the valuation manual is the minimum standard of valuation required under
107 subsection (a)(1A) of this section.

108 “(g)(1) For policies issued on or after the operative date of the valuation manual,
109 the standard prescribed in the valuation manual is the minimum standard of valuation required
110 under subsection (a)(1A) of this section, except as provided under paragraphs (5) or (7) of this
111 subsection.

112 “(2) The operative date of the valuation manual is the date this act
113 becomes effective.

114 “(3) The valuation manual must specify the following:

115 “(A) Minimum valuation standards for and definitions of the policies or
116 contracts subject to subsection (a)(1A) of this section. Such minimum valuation standards shall
117 be:

118 “(i) The Commissioner’s reserve valuation method for life
119 insurance contracts, other than annuity contracts, subsection to (a)(1A) of this section;

120 “(ii) The Commissioner’s annuity reserve valuation method for
121 annuity contracts subject to subsection (a)(1A) of this section and; and

122 “(iii) Minimum reserves for all other policies or contracts subject
123 to subsection (a)(1A) of this section;

124 “(B) Which policies or contracts or types of policies or contracts that are
125 subject to the requirements of a principle-based valuation in subsection (h)(1) of this section and
126 the minimum valuation standards consistent with those requirements;

127 “(C) For policies and contracts subject to a principle-based valuation
128 under subsection (h) of this section:

129 “(i) Requirements for the format of reports to the Commissioner
130 under subsection (h)(2)(C) of this section and which shall include information necessary to
131 determine if the valuation is appropriate and in compliance with this section;

132 “(ii) Assumptions shall be prescribed for risks over which the
133 company does not have significant control or influence; and

134 “(iii) Procedures for corporate governance and oversight of the
135 actuarial function, and a process for appropriate waiver or medication of such procedures;

136 “(D) For policies not subject to a principle-based valuation under
137 subsection (h) of this section the minimum valuation standard shall either:

138 (i) Be consistent with the minimum standard of valuation prior to
139 the operative date of the valuation manual; or

140 “(ii) Develop reserves that quantify the benefits and guarantees,
141 and the funding, associated with the contracts and their risk at a level of conservatism that
142 reflects conditions that include unfavorable events that have a reasonable probability of
143 occurring;

144 “(E) Other requirement, including, but not limited to, those relating to
145 reserve methods, models for measuring risk, generation of economic scenarios, assumptions,
146 margins, use of company experience, risk measurement, disclosure, certifications, reports,
147 actuarial opinions and memorandums, transition rules and internal controls; and

148 “(F) The data and form of the data required under subsection (i) of this
149 section, with whom the data must be submitted, and may specify other requirements including
150 data analyses and reporting of analyses.

151 “(4) In the absence of a specific valuation requirement or if a specific valuation
152 requirement in the valuation manual is not, in the opinion of the Commissioner, in compliance

153 with this section, then the company shall, with respect to such requirements, comply with
154 minimum valuation standards prescribed by the Commissioner by regulation.

155 “(5)(A) The Commissioner may engage a qualified actuary, at the expense of the
156 company, to perform an actuarial examination of the company and opine on the appropriateness
157 of any reserve assumption or method used by the company, or to review and opine on a
158 company’s compliance with any requirement set forth in this section or section 9. The
159 Commissioner may rely upon the opinion, regarding provisions contained within this section or
160 section 9 of a qualified actuary engaged by the Commissioner of another state, district, or
161 territory of the United States.

162 “(B) For the purposes of this paragraph, the term “engage” includes
163 employment or contracting.

164 “(6) The Commissioner may require a company to change any assumption or
165 method that in the opinion of the Commissioner is necessary in order to comply with the
166 requirements of the valuation manual or this section. The company shall adjust the reserves as
167 required by the Commissioner.

168 “(h)(1) A company must establish reserves using a principle-based valuation that meets
169 the following conditions for policies or contracts as specified in the valuation manual:

170 “(A) Quantify the benefits and guarantees, and the funding, associated
171 with the policies and contracts and their risks at a level of conservatism that reflects conditions
172 that include unfavorable events that have a reasonable probability of occurring during the

173 lifetime of the policies and contracts. For policies and contracts with significant tail risk, reflects
174 conditions appropriately adverse to quantify the tail risk.

175 “(B) Incorporate assumptions, risk analysis methods and financial models
176 and management techniques that are consistent with, but not necessarily identical to, those
177 utilized within the company’s overall risk assessment process, while recognizing potential
178 differences in financial reporting structures and any prescribed assumptions or methods.

179 “(C) Incorporate assumptions that are derived in one of the following
180 manners:

181 “(i) The assumption is prescribed in the valuation manual.

182 “(ii) For assumptions that are not prescribed, the assumptions shall:

183 “(I) Be established utilizing the company’s available
184 experience, to the extent it is relevant and statistically credible; or

185 “(II) To the extent that company data is not available,
186 relevant, or statistically credible, be established utilizing other relevant, statistically credible
187 experience.

188 “(D) Provide margins for uncertainty including adverse deviation and
189 estimation error, such that the greater the uncertainty the larger the margin and resulting reserve.

190 “(2) A company using a principle-based valuation for one or more policies or
191 contracts subject to this subsection as specified in the valuation manual shall:

192 “(A) Establish procedures for corporate governance and oversight of the
193 actuarial valuation function consistent with those described in the valuation manual.

194 “(B) Provide to the Commissioner and the Board of Directors an annual
195 certification of the effectiveness of the internal controls with respect to the principle-based
196 valuation. Such controls shall be designed to assure that all material risks inherent in the
197 liabilities and associated assets subject to such valuation are included in the valuation, and that
198 valuations are made in accordance with the valuation manual. The certification shall be based on
199 the controls in place as of the end of the preceding calendar year.

200 “(C) Develop, and file with the Commissioner upon request, a principle-
201 based valuation report that complies with standards prescribed in the valuation manual.

202 “(3) A principle-based valuation may include a prescribed formulaic reserve
203 component.

204 “(i) A company shall submit mortality, morbidity, policyholder behavior, or expense
205 experience and other data as prescribed in the valuation model.

206 “(j)(1) For the purposes of this subsection, the term “confidential information” shall
207 mean:

208 “(A) A memorandum in support of an opinion submitted pursuant to the
209 Life Insurance Actuarial Opinion of Reserves Act of 1993, effective October 21, 1993 (D.C. Law
210 10-50; D.C. Official Code § 31-4901) and any other documents, materials and other information,
211 including, but not limited to, all working papers, and copies thereof, created, produced or

212 obtained by or disclosed to the Commissioner or any other person in connection with such
213 memorandum;

214 “(B) All documents, materials and other information, including, but not
215 limited to, all working papers, and copies thereof, created, produced or obtained by or disclosed
216 to the Commissioner or any other person in the course of an examination made under subsection
217 (g)(7) of this section; provided, that if an examination report or other material prepared in
218 connection with an examination made pursuant to the Law on Examinations Act of 1993,
219 effective October 21, 1993 (D.C. Law 10-49; D.C. Official Code 31-1401 *et seq.*)(“Examinations
220 Act”) is not held as private and confidential information the examination report or other
221 materials prepared in connection with an examination made under subsection (g)(7) of this
222 section shall not be confidential information to the same extent as such examination report that
223 had been prepared pursuant to the Examinations Act.

224 “(C) Any reports, documents, materials and other information developed
225 by a company in support of, or in connection with, an annual certification by the company
226 pursuant to subsection (h)(2)(B) of this section that evaluates the effectiveness of the company’s
227 internal controls with respect to a principle-based valuation and any other documents, materials,
228 and other information, including all working papers, and copies thereof, created, produced or
229 obtained by or disclosed to the Commissioner or any other person in connection with such
230 reports, documents, materials and other information;

231 “(D) Any principle-based valuation report developed under section
232 (h)(2)(C) of this section and any other documents, materials and other information, including, but
233 not limited to, all working papers, and copies thereof, created, produced or obtained by or
234 disclosed to the Commissioner or any other person in connection with such report; and

235 “(E) Any documents, materials, data and other information submitted by a
236 company under subsection (i) of this section and any other documents, materials, data and other
237 information, including, but not limited to, all working papers, and copies thereof, created or
238 produced in connection with such experience data, in each case that include any potentially
239 company-identifying or personally identifiable information, that is provided to or obtained by the
240 Commissioner and any other documents, materials, data and other information, including, but not
241 limited to, all working papers, and copies thereof, created, produced, or obtained by or disclosed
242 to the Commissioner or any other person in connection with such experience materials.

243 “(2) Confidential information specified in paragraphs (1)(A) and (D) of this
244 subsection:

245 “(A) May be subject to subpoena for the purpose of defending an action
246 seeking damages from the appointed actuary submitting the related memorandum in support of
247 an opinion submitted pursuant to section 2 of the Life Insurance Actuarial Opinion of Reserves
248 Act of 1993, effective October 21, 1993 (D.C. Law 10-50; D.C. Official Code § 31-4901)
249 (“Opinion of Reserves Act”) or principle-based valuation report developed under subsection

250 (h)(2)(C) of this section by reason of an action required by this section or by regulations
251 promulgated hereunder;

252 “(B) May be released by the Commissioner with written consent of the
253 company; and

254 “(C) Shall no longer be confidential once any portion of a memorandum of
255 support of an opinion submitted pursuant to the Opinion of Reserves Act or a principle-based
256 valuation report developed under subsection (h)(2)(C) of this section is cited by the company in
257 its marketing or is publicly volunteered to or before a governmental agency other than the
258 insurance department of a state or jurisdiction or is released by the company to the news media.

259 “(3)(A) Except as provided in this subsection, a company’s confidential
260 information is confidential by law and privileged, and shall not be subject to the Freedom of
261 Information Act of 1976, effective March 29, 1977 (D.C. Law 1-96; D.C. Official Code § 2-531
262 *et seq.*); shall not be subject to subpoena and shall not be subject to discovery or admissible in
263 evidence in any private civil action. The Commissioner is authorized to use the confidential
264 information in the furtherance of any regulatory or legal action brought against the company as
265 part of the Commissioner’s official duties.

266 “(B) Neither the Commissioner nor any other person who received
267 confidential information while acting under the authority of the Commissioner in performing the
268 duties as required by this act shall be permitted or required to testify in any private civil action
269 concerning any confidential information.

270 “(C)(i) To assist in the performance of the Commissioner’s duties, the
271 Commissioner may share and receive confidential information from:

272 “(I) Other state, federal, and international regulatory
273 agencies; and

274 “(II) The National Association of Insurance Commissioners
275 and its affiliates and subsidiaries.

276 “(ii) The Commissioner may share and receive confidential
277 information specified in paragraphs (1)(A) and (D) of this subsection from the Actuarial Board
278 for Counseling and Discipline or its successor upon request stating that the confidential
279 information is required for the purpose of professional disciplinary proceedings with state,
280 federal, and international law enforcement officials.

281 “(iii) Any recipient of confidential information shall maintain the
282 confidentiality and privileged status of such documents, materials, data and other information in
283 the same manner and to the same extent as required for the Commissioner of the jurisdiction that
284 is the source of the document, material or other information.

285 “(D) The Commissioner may enter into agreements governing sharing and
286 use of information pursuant to this paragraph.

287 “(E) No waiver of any applicable privilege or claim of confidentiality in
288 the confidential information shall occur as a result of disclosure to the Commissioner under this
289 subsection of this section.

290 “(F) A privilege established under the law of any state or jurisdiction that
291 is substantially similar to the privilege established under this paragraph shall be available and
292 enforced in any proceeding in, and in any court of, the District of Columbia.

293 “(k)(1) The Commissioner may exempt specific product forms or product lines of a
294 domestic company that is licensed and doing business only in the District of Columbia from the
295 requirements provided under subsection (g) of this section if:

296 “(A) The Commissioner has issued an exemption in writing to the
297 company and has not subsequently revoked the exemption in writing; and

298 “(B) The company computes reserves using assumptions and methods
299 used prior to the operative date of the valuation manual in addition to any requirements
300 established by the Commissioner and promulgated by regulation.

301 “(2) Subsections (c), (d), (e), and (f) of this section and Section 20, and the
302 Opinion of Reserves Act shall be still be applicable to any company that is granted an exemption
303 under this subsection. With respect to any company applying this exemption, any reference to
304 subsection (g) found in subsections (c), (d), (e), and (f) of this section and Section 20, and the
305 Opinion of Reserves Act shall not be applicable.

306 “(l) For the purposes of this section , the term:

307 “(1) “Accident and health insurance” means contracts that incorporate morbidity
308 risk and provide protection against economic loss resulting from accident, sickness, or medical
309 conditions and as may be specified in the valuation manual.

310 “(2) “Appointed actuary” means a qualified actuary who is appointed in
311 accordance with the valuation manual to prepare the actuarial opinion required under subsections
312 (c) and (d) of the Life Insurance Actuarial Opinion of Reserves Act of 1993, effective October
313 21, 1993 (D.C. Law 10-50; D.C. Official Code § 31-4901).

314 “(3) “Company” means any entity which:

315 “(A) Has written, issued, or reinsured life insurance contracts, accident
316 and health insurance contracts, or deposit-type contracts in the District and has at least one such
317 policy in force or on claim; or

318 “(B) Has written, issued, or reinsured life insurance contracts, accident
319 and health insurance contracts, or deposit-type contracts in any state or jurisdiction and is
320 required to hold a certificate of authority to write life insurance, accident and health insurance, or
321 deposit-type contracts in the District.

322 “(4) “Deposit-type contract” means contracts that do not incorporate mortality
323 risk, including annuity and pure endowment contracts, and as may be specified in the valuation
324 manual.

325 “(5) “Life insurance” means contracts that incorporate mortality risk, including
326 annuity and pure endowment contracts, and as may be specified in the valuation manual.

327 “(6) “Policyholder behavior” means any action a policyholder, contract holder or
328 any other person with the right to elect options, such as a certificate holder, may take under a
329 policy or contract subject to this section including, but not limited to, lapse, withdrawal, transfer,

330 deposit, premium payment, loan, annuitization, or benefit elections prescribed by the policy or
331 contract but excluding events of mortality or morbidity that result in benefits prescribed in their
332 essential aspects by the terms of the policy or contract.

333 “(7) “Principle-based valuation” means a reserve valuation that uses one or more
334 methods or one or more assumptions determined by the insurer and is required to comply with
335 subsection (h) of this section as specified in the valuation manual.

336 “(8) “Qualified actuary” means an individual who is qualified to sign the
337 applicable statement of actuarial opinion in accordance with the American Academy of Actuaries
338 qualification standards for actuaries signing such statements and who meets the requirement
339 specified in the valuation manual.

340 “(9) “Tail risk” means a risk that occurs either where the frequency of low
341 probability events is higher than expected under a normal probability distribution or where there
342 are observed events of very significant size or magnitude.

343 “(10) “Valuation manual” means the manual of valuation instructions adopted by
344 the National Association of Insurance Commissioner as specified in this section or as
345 subsequently amended.”.

346 (b) Section 5b (D.C. Official Code § 31-4705.02) is amended as follows:

347 (1) Subsection (e) is amended as follows:

348 (A) Paragraph (16) is amended as follows:’

349 (i) Subparagraphs (G) and (H) are amended to read as follows:

350 “(G)(i) For policies issued prior to operative date of the valuation manual,
351 any Commissioners Standard Ordinary Mortality Tables adopted after 1980 by the National
352 Association of Insurance Commissioners and by the Commissioner determining the minimum
353 nonforfeiture standard may be substituted for the Commissioners 1980 Standard Ordinary
354 Mortality Table with or without Ten-Year Select Mortality Factors or for the Commissioners
355 1980 Extended Term Insurance Table.

356 “(ii) For policies issued on or after the operative date of the
357 valuation manual, the valuation manual shall provide the Commissioners Standard mortality
358 table for use in determining the minimum nonforfeiture standard that may be substituted for the
359 Commissioners 1980 Standard Ordinary Mortality Table with or without Ten-Year Select
360 Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table. If the
361 Commissioner approves by regulation any Commissioners Standard Ordinary Mortality Table
362 adopted by the National Association of Insurance Commissioners for use in determining the
363 minimum nonforfeiture standard for policies issued on or after the operative date of the valuation
364 manual, then that minimum nonforfeiture standard supersedes the minimum nonforfeiture
365 standard provided by the valuation manual.

366 “(H)(i) For policies issued prior to the operative date of the valuation
367 manual, any Commissioners Standard Industrial Mortality Tables adopted after 1980 by the
368 National Association of Insurance Commissioners and approved by the Commissioner for
369 determining the minimum nonforfeiture standard may be substituted for the Commissioners 1961

370 Standard Industrial Mortality Table or the Commissioners 1961 Industrial Extended Term
371 Insurance Table.

372 “(ii) For policies issued on or after the operative date of the
373 valuation manual, the valuation manual shall provide the Commissioners Standard Mortality
374 Table for use in determining the minimum nonforfeiture standard that may be substituted for the
375 Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961 Industrial
376 Extended Term Insurance Table. If the Commissioner approves by regulation any
377 Commissioners Standard Industrial Mortality Table adopted by the National Association of
378 Insurance Commissioners for use in determining the minimum nonforfeiture standard for
379 policies or contracts issued on or after the operative date of the valuation manual then that
380 minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the
381 valuation manual.”.

382 (B) Paragraph (17) is amended to read as follows:

383 “(17)(A) The nonforfeiture interest rate for policies issued prior to the operative
384 date of the valuation manual in a particular calendar year shall be equal to 125% of the calendar
385 year statutory valuation interest rate for the policy, as described in section, rounded to the nearest
386 1/4%, provided, that the nonforfeiture interest rate shall not be less than 4.00%.

387 “(B) For policies issued on or after the operative date of the valuation
388 manual, the nonforfeiture interest rate per annum for any policy issued in a particular calendar
389 year shall be provided by the valuation manual.”.

390 (2) A new subsection (k) is added to read as follows:

391 “(k) For the purposes of this section, the term “operative date of the valuation manual”
392 means the valuation as described in section 1.”.

393 (c) Section 20 (D.C. Official Code § 31-4720) is amended by striking the phrase
394 “contract is less” and inserting the phrase “contract subject to section 1(a)(1 is less” in its place.

395 Sec. 3. Section 2 of the Life Insurance Actuarial Opinion of Reserves Act of 1993,
396 effective October 21, 1993 (D.C. Law 10-50; D.C. Official Code § 31-4901) is amended as
397 follows:

398 (a) Subsection (a) is amended by striking the phrase “requirements and guidelines.” and
399 inserting the phrase “requirements and guidelines before operative date of the valuation manual.”
400 in its place.

401 (b) Subsection (b) is amended by striking the phrase “assets supporting reserves.” and
402 inserting the phrase “assets supporting reserves before the operative date of the valuation
403 manual.” in its place.

404 (c) New subsections (c), (d), and (e) are added to read as follows:

405 “(c) General requirements and guidelines.

406 “(1) Every company with outstanding life insurance contracts, accident and health
407 insurance contracts or deposit-type contracts in the District of Columbia and subject to regulation
408 by the Mayor shall annually submit the opinion of the appointed actuary as to whether the
409 reserves and related actuarial items held in support of the policies and contracts are computed

410 appropriately, are based on assumptions that satisfy contractual provisions, are consistent with
411 prior reported amounts and comply with applicable laws of the District of Columbia. The
412 valuation manual will prescribe the specifics of this opinion including any items deemed to be
413 necessary to its scope.

414 “(2) The opinion shall be submitted with the annual statement reflecting the
415 valuation of such reserve liabilities for each year ending on or after the operative date of the
416 valuation manual.

417 “(3) The opinion shall apply to all policies and contracts subject to subsection (d)
418 of this section, plus other actuarial liabilities as may be specified in the valuation manual.

419 “(4) The opinion shall be based on standards adopted from time to time by the
420 Actuarial Standards Board or its successor, and on such additional standard as may be prescribed
421 in the valuation manual.

422 “(5) In the case of an opinion required to be submitted by a foreign or alien
423 company, the Mayor may accept the opinion filed by that company with the insurance
424 supervisory official of another state or jurisdiction if the Mayor determines that the opinion
425 reasonably meets the requirements applicable to a company domiciled in the District of
426 Columbia.

427 “(6) Except in cases of fraud or willful misconduct, the appointed actuary shall
428 not be liable for damages to any person (other than the insurance company and the Mayor) for
429 any act, error, omission, decision or conduct with respect to the appointed actuary’s opinion.

430 “(7) A memorandum, in form and substance as specified in the valuation manual,
431 and acceptable to the Mayor, shall be prepared to support each actuarial opinion.

432 “(8) If the insurance company fails to provide supporting memorandum at the
433 request of the Mayor within a period specified in the valuation manual or the Mayor determines
434 that the supporting memorandum provided by the insurance company fails to meet the standards
435 prescribed by the valuation manual or is otherwise unacceptable to the Mayor, the Mayor may
436 engage a qualified actuary at the expense of the company to review the opinion and the basis for
437 the opinion and prepare the supporting memorandum required by the Mayor.

438 “(d) Actuarial analysis of reserves and assets supporting reserves.

439 “Every company with outstanding life insurance contracts, accident and health insurance
440 contracts or deposit-type contracts in the District of Columbia and subject to regulation by the
441 Mayor, except as exempted in the valuation manual, shall also annually include in the opinion
442 required by section (c)(1) of this section, an opinion of the same appointed actuary as to whether
443 the reserves and related actuarial items held in support of the policies and contracts specified in
444 the valuation manual, when considered in light of the assets held by the company with respect to
445 the reserves and related actuarial items, including but not limited to the investment earnings on
446 the assets and the considerations anticipated to be received and retained under the policies and
447 contracts, make adequate provision for the company’s obligation under the policies and
448 contracts, including but not limited to the benefits under and expenses associated with the
449 policies and contracts.

450 “(e) For the purposes of this section, the term:

451 “(1) “Accident and health insurance” means contracts that incorporate morbidity
452 risk and provide protection against economic loss resulting from accident, sickness, or medical
453 conditions and as may be specified in the valuation manual.

454 “(2) “Appointed actuary” means a qualified actuary who is appointed in
455 accordance with the valuation manual to prepare the actuarial opinion required under subsections
456 (c) and (d) of this section.

457 “(3) “Company” means an entity which:

458 “(A) Has written, issued, or reinsured life insurance contracts, accident
459 and health insurance contracts, or deposit-type contracts in the District and has at least one such
460 policy in force or on claim; or

461 “(B) Has written, issued, or reinsured life insurance contracts, accident
462 and health insurance contracts, or deposit-type contracts in any state or jurisdiction and is
463 required to hold a certificate of authority to write life insurance, accident and health insurance, or
464 deposit-type contracts in the District.

465 “(4) “Deposit-type contract” means contracts that do not incorporate mortality
466 risk, including annuity and pure endowment contracts, and as may be specified in the valuation
467 manual.

468 “(5) “Life insurance” means contracts that incorporate mortality risk, including
469 annuity and pure endowment contracts, and as may be specified in the valuation manual.

470 “(6) “Qualified actuary” means an individual who is qualified to sign the
471 applicable statement of actuarial opinion in accordance with the American Academy of Actuaries
472 qualification standards for actuaries signing such statements and who meets the requirement
473 specified in the valuation manual.

474 “(7) “Valuation manual” means the manual of valuation instructions adopted by
475 the National Association of Insurance Commissioner as specified in section 1 of the Life
476 Insurance Act of 1934, approved June 19, 1934 (48 Stat. 1129; D.C. Official Code § 31-4701),”.

477 Sec. 4. Fiscal impact statement.

478 The Council adopts the fiscal impact statement in the committee report as the fiscal
479 impact statement required by section 4a of the General Legislative Procedures Act of 1975,
480 approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

481 Sec. 5. Effective date.

482 This act shall take effect following approval by the Mayor (or in the event of veto by the
483 Mayor, action by the Council to override the veto), a 30-day period of Congressional review as
484 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December
485 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of
486 Columbia Register.