An Act

ENROLLED HOUSE
BILL NO. 2761

By: Kirby of the House

and

Brown of the Senate

An Act relating to insurance; amending 36 O.S. 2011, Section 309.4, as amended by Section 1, Chapter 298, O.S.L. 2015 (36 O.S. Supp. 2015, Section 309.4), which relates to examination reports; providing that certain waivers of confidentiality shall not occur under certain circumstances; amending 36 O.S. 2011, Section 607.1, as last amended by Section 1, Chapter 296, O.S.L. 2015 (36 O.S. Supp. 2015, Section 607.1), which relates to entities considered insurers; exempting certain entities from filing certain actuarial opinions; amending 36 O.S. 2011, Section 1452, as last amended by Section 2, Chapter 145, O.S.L. 2014 (36 O.S. Supp. 2015, Section 1452), which relates to the Third-party Administrator Act; limiting certain annual reports that shall be reviewed by a certified public accountant; requiring certain application for waiver under certain circumstances; amending 36 O.S. 2011, Section 1510, as amended by Section 1, Chapter 50, O.S.L. 2014 (36 O.S. Supp. 2015, Section 1510), which relates to valuation; eliminating certain exemption for certain domestic companies; amending 36 O.S. 2011, Section 1654, as amended by Section 9, Chapter 269, O.S.L. 2013 (36 O.S. Supp. 2015, Section 1654), which relates to registration of insurers; requiring annual registration; requiring certain annual enterprise risk report be filed by certain date; amending 36 O.S. 2011, Section 4101.1, which relates to group life insurance policies and annuities; increasing age cap for certain dependents; amending 36 O.S. 2011, Section 6060.4, which relates to child immunization coverage; modifying which health benefit plans are exempted from certain requirements; amending 36 O.S. 2011, Sections 6121 and 6124, which relate to prepaid funeral services; authorizing the Insurance

Commissioner to deny permit to certain persons; prohibiting new permit after prior refusal to issue permit; amending 36 O.S. 2011, Sections 6220, as amended by Section 5, Chapter 297, O.S.L. 2015 and Section 7, Chapter 297, O.S.L. 2015 (36 O.S. Supp. 2015, Section 6220 and 6223), which relate to the Insurance Adjusters Licensing Act; modifying causes to deny, suspend or revoke license; modifying content requirements for certain disclosure document; amending 36 O.S. 2011, Section 6470.2, as last amended by Section 14, Chapter 298, O.S.L. 2015 and Section 6470.3, as amended by Section 15, Chapter 298, O.S.L. 2015 (36 O.S. Supp. 2015, Sections 6470.2 and 6470.3), which relate to the Oklahoma Captive Insurance Company Act; modifying punctuation; modifying insurable risks; amending 36 O.S. 2011, Section 6670, as last amended by Section 22, Chapter 15, O.S.L. 2013 (36 O.S. Supp. 2015, Section 6670), which relates to insurance coverage of portable electronics; updating citation; and providing an effective date.

SUBJECT: Insurance

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 36 O.S. 2011, Section 309.4, as amended by Section 1, Chapter 298, O.S.L. 2015 (36 O.S. Supp. 2015, Section 309.4), is amended to read as follows:

Section 309.4 A. All examination reports shall be comprised of only facts appearing upon the books, records, or other documents of the company, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from such facts.

B. No later than thirty (30) days following completion of the examination, the examiner in charge shall file with the Insurance Department a verified written report of examination under oath. Upon receipt of the verified report, the Department shall transmit the report to the company examined, together with a notice which

shall afford such company examined a reasonable opportunity of not more than twenty (20) days to make a written submission or written rebuttal with respect to any matters contained in the examination report.

C. Within twenty (20) days of the end of the period allowed for the receipt of written submissions or written rebuttals, the Insurance Commissioner shall fully consider and review the report, together with any written submissions or written rebuttals and any relevant portions of the examiners' work papers and enter an order:

1. Adopting the examination report as filed or with modification or corrections. If the examination report reveals that the company is operating in violation of any law, regulation or prior order of the Commissioner, the Commissioner may order the company to take any action the Commissioner considers necessary and appropriate to cure such violation;

2. Rejecting the examination report with directions to the examiners to reopen the examination for purposes of obtaining additional data, documentation or information, and refiling pursuant to subsection A of this section; or

3. Calling for an investigatory hearing with notice pursuant to the Administrative Procedures Act to the company for purposes of obtaining additional documentation, data, information and testimony.

D. 1. All orders entered pursuant to paragraph 1 of subsection C of this section shall be accompanied by findings and conclusions resulting from the Commissioner's consideration and review of the examination report, relevant examiner work papers and any written submissions or rebuttals. Any such order shall be considered a final administrative decision and may be appealed pursuant to the Administrative Procedures Act, and shall be served upon the company by certified mail, together with a copy of the adopted examination report. Within thirty (30) days of the issuance of the adopted report, the company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

2. Any hearing conducted pursuant to paragraph 3 of subsection C of this section by the Commissioner or authorized representative~~,~~ shall be conducted as a nonadversarial confidential investigatory proceeding as necessary for the resolution of any inconsistencies, discrepancies or disputed issues apparent upon the face of the filed

examination report or raised by or as a result of the Commissioner's review of relevant work papers or by the written submission or rebuttal of the company. Within thirty (30) days of the conclusion of any such hearing, the Commissioner shall enter an order pursuant to paragraph 1 of subsection C of this section.

3. The Commissioner shall not appoint an examiner as an authorized representative to conduct the hearing. The Commissioner or a representative of the Commissioner may issue subpoenas for the attendance of any witnesses or the production of any documents deemed relevant to the investigation whether under the control of the Department, the company or other persons. The documents produced shall be included in the record, and testimony taken by the Commissioner or representative of the Commissioner shall be under oath and preserved for the record.

4. Nothing contained in this section shall require the Department to disclose any information or records which would indicate or show the existence or content of any investigation or activity of a criminal justice agency.

5. The hearing shall proceed with the Commissioner or a representative of the Commissioner posing questions to the persons subpoenaed. Thereafter the company and the Department may present testimony relevant to the investigation. The company and the Department shall be permitted to make closing statements and may be represented by counsel of their choice.

E. 1. Upon the adoption of the examination report under paragraph 1 of subsection C of this section, the Commissioner shall continue to hold the content of the examination report as private and confidential information for a period of two (2) days except to the extent provided in subsection B of this section and subsection F of Section 309.3 of this title. Thereafter, the Commissioner may open the report for public inspection so long as no court of competent jurisdiction has stayed its publication.

2. Nothing contained in Sections 309.1 through 309.7 of this title shall prevent or be construed as prohibiting the Commissioner from disclosing the content of an examination report, preliminary examination report or results, or any matter relating thereto, to the insurance department of this or any other state or country, or to law enforcement officials of this or any other state or agency of the federal government at any time, so long as such agency or office receiving the report or matters relating thereto agrees in writing

to hold it confidential and in a manner consistent with Sections 309.1 through 309.7 of this title.

3. In the event the Commissioner determines that regulatory action is appropriate as a result of any examination, the Commissioner may initiate any proceedings or actions as provided by law.

4. No waiver of any applicable privilege or claim of confidentiality in the documents, materials or information provided to the Commissioner shall occur as a result of disclosure to the Commissioner under this section or as a result of sharing as authorized in subparagraph 2 of this paragraph.

F. All working papers, recorded information, documents and copies thereof produced by, obtained by or disclosed to the Commissioner or any other person in the course of an examination made under Sections 309.1 through 309.7 of this title, or in the course of analysis by the Commissioner or any other person of the financial condition or market conduct of a company, shall be given confidential treatment and are not subject to subpoena and may not be made public by the Commissioner or any other person, except to the extent provided in subsection E of this section and subsection F of Section 309.3 of this title. Access may also be granted to the National Association of Insurance Commissioners. Such parties shall agree in writing prior to receiving the information to provide to it the same confidential treatment as required by this section, unless the prior written consent of the company to which it pertains has been obtained.

SECTION 2. AMENDATORY 36 O.S. 2011, Section 607.1, as last amended by Section 1, Chapter 296, O.S.L. 2015 (36 O.S. Supp. 2015, Section 607.1), is amended to read as follows:

Section 607.1 A. An entity organized pursuant to the Interlocal Cooperation Act (an "Interlocal Entity") for the purpose of transacting insurance, except those Interlocal Entities created pursuant to the terms of The Governmental Tort Claims Act, shall be considered an insurer at such time that the entity has within a twelve-month period received aggregate premiums of One Million Dollars ($1,000,000.00) for all kinds of insurance that the entity transacts. Such an entity shall be eligible to qualify for and hold a certificate of authority to transact insurance in this state.

B. Notwithstanding the provisions of subsection A of this section, any entity organized pursuant to the Interlocal Cooperation Act that insures an Oklahoma educational institution and has within a twelve-month period received premiums or contributions of any amount for any kind of insurance that the Interlocal Entity transacts shall have an annual audit by an independent certified public accountant and shall file an audited financial report by an independent certified public accountant with the Insurance Commissioner within one hundred eighty (180) days immediately following the close of the Interlocal Entity's fiscal year. The annual audited financial report shall be presented in conformity with accounting principles generally accepted in the United States of America and include:

1. The report of an independent certified public accountant in accordance with accounting principles generally accepted in the United States of America;

2. A balance sheet reporting assets, liabilities and equity;

3. A statement of operations;

4. A statement of cash flows;

5. A statement of changes in assets, liabilities and equity;

6. Footnotes to financial statements; and

7. An unqualified opinion from the certified public accountant that the audited financial report represents a fair presentation of the Interlocal Entity's financial position in conformity with accounting principles generally accepted in the United States of America.

C. Any entity subject to the provisions of subsection B of this section, except those entities which purchase full insurance coverage as determined by the Commissioner, shall file with the Insurance Commissioner an actuarial opinion prepared by a qualified actuary within one hundred eighty (180) days immediately following the close of the Interlocal Entity's fiscal year. The actuarial opinion should certify the amount and adequacy of the Interlocal Entity's reserves for loss and loss adjustment expenses, including amounts for Incurred But Not Reported (IBNR) Claims, and the adequacy of the Interlocal Entity's premiums. The actuarial opinion

shall be consistent with the appropriate Actuarial Standards of Practice (ASOP) as promulgated by the Actuarial Standards Board.

As used in this section, "qualified actuary" means an individual who is a member of the American Academy of Actuaries and who has met the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinions in the United States promulgated by the American Academy of Actuaries.

D. Extensions of the filing date may be granted by the Commissioner for thirty-day periods upon a showing by the Interlocal Entity and its independent certified public accountant or qualified actuary of the reasons for requesting an extension and determination by the Commissioner of good cause for an extension. The request for extension must be submitted in writing not less than ten (10) days prior to the due date in sufficient detail to permit the Commissioner to make an informed decision with respect to the requested extension.

E. The Commissioner may assess a fine for failure to file the required annual audit or actuarial opinion in an amount of not more than Five Hundred Dollars ($500.00) per day.

F. The audited financial reports and actuarial opinions required herein are subject to public inspection pursuant to the Oklahoma Open Records Act.

SECTION 3. AMENDATORY 36 O.S. 2011, Section 1452, as last amended by Section 2, Chapter 145, O.S.L. 2014 (36 O.S. Supp. 2015, Section 1452), is amended to read as follows:

Section 1452. A. On or before June 1 of each year, all licensed administrators shall file an annual report for the previous calendar year. ~~The~~ Any report filed by an administrator with accumulated year-to-date premiums collected or claims paid of Fifty Thousand Dollars ($50,000.00) or more, whichever is greater, shall have been reviewed by a certified public accountant who shall be independent of the administrator. The report shall be subscribed and sworn to by the president and attested to by the secretary or other proper officers substantiating that the information contained in the report is true and factual concerning each of the plans they administer which are governed pursuant to the provisions of the Third-party Administrator Act. The report shall include the name and address of each fund and a statement of fund equity, paid claims by the covered unit, the accumulated year-to-date paid claims, and

the year-to-date reserve status. Failure of any third-party administrator to execute and file the annual reports as required by this section shall constitute cause, after notice and opportunity for hearing, for censure, suspension, or revocation of administrator licensure to transact business in this state, or a civil penalty of not less than One Hundred Dollars ($100.00) or more than One Thousand Dollars ($1,000.00) for each occurrence, or both censure, suspension, or revocation and civil penalty.

B. If a licensed administrator has had no business or activity in the past calendar year, has not administered any insurance plans or business in the past calendar year and no funds are under the licensed administrator's oversight and administration, then the licensed administrator shall submit an application for waiver of the annual report described in subsection A of this section ~~may be waived upon application to the Insurance Commissioner by the administrator~~ on a form prescribed by the Commissioner. Upon applying for a waiver, the administrator shall state under oath that the administrator has had no business, has not administered any funds and the licensee's administration of premiums and claims has been dormant for the past calendar year. The application must be submitted no later than ~~May~~ April 1st on the form prescribed by the Commissioner.

SECTION 4. AMENDATORY 36 O.S. 2011, Section 1510, as amended by Section 1, Chapter 50, O.S.L. 2014 (36 O.S. Supp. 2015, Section 1510), is amended to read as follows:

Section 1510. A. Definitions. For the purposes of this section the following definitions shall apply on or after the operative date of the valuation manual:

1. "Accident and health insurance" means contracts that incorporate morbidity risk and provide protection against economic loss resulting from accident, sickness, or medical conditions and as may be specified in the valuation manual;

2. "Company" means an entity which:

~~a.~~ (a) has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts in this state and has at least one such policy in force or on claim, or

~~b.~~ (b) has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts in any state and is required to hold a certificate of authority to write life insurance, accident and health insurance, or deposit-type contracts in this state;

3. "Deposit-type contract" means contracts that do not incorporate mortality or morbidity risks and as may be specified in the valuation manual;

4. "Life insurance" means contracts that incorporate mortality risk, including annuity and pure endowment contracts, and as may be specified in the valuation manual;

5. "NAIC" means the National Association of Insurance Commissioners;

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

7. "Principle-based valuation" means a reserve valuation that uses one or more methods or one or more assumptions determined by the insurer and is required to comply with subsection Q of this section as specified in the valuation manual;

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

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

B. Reserve Valuation.

1. Policies and Contracts Issued Prior to the Operative Date of the Valuation Manual.

(a) The Insurance Commissioner shall annually make calculations of all outstanding policies, additions thereto, unpaid dividends, annuity and pure endowment contracts and all other obligations of every life insurance corporation doing business in this state issued prior to the operative date of the valuation manual. In lieu of the valuation of the reserves required of a foreign or alien company, the Insurance Commissioner may accept a valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when the valuation complies with the minimum standard provided in this section.

(b) The provisions set forth in subsections C, D, E, F, G, H, J, K, L, M, N and O of this section shall apply to all policies and contracts, as appropriate, subject to this section issued prior to the operative date of the valuation manual and the provisions set forth in subsections P and Q of this section shall not apply to any such policies and contracts.

2. Policies and Contracts Issued On and After the Operative Date of the Valuation Manual.

(a) The Insurance Commissioner shall annually make calculations of all outstanding policies, additions thereto, unpaid dividends, annuity and pure endowment contracts, accident and health contracts, deposit-type contracts, and all other obligations of every company doing business in this state issued on or after the operative date of the valuation manual. In lieu of the valuation of the reserves required of a foreign or alien company, the Insurance Commissioner may accept a valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when the valuation complies with the minimum standard provided in this section.

(b) The provisions set forth in subsections P and Q of this section shall apply to all policies and contracts

issued on or after the operative date of the valuation manual.

C. 1. Valuations made by the Insurance Commissioner shall be made upon the net premium basis. In the case of alien insurers, such valuation shall be limited to its United States business. The legal minimum standard for valuation of contracts issued before the first day of January, 1910, shall be the Actuaries or Combined Experience Table of Mortality, with interest at four percent (4%) per annum, and for valuation of contracts issued on or after said date and before June 6, 1949, shall be the American Experience Table of Mortality, or the American Men Table of Mortality, with interest at three and one-half percent (3 1/2%) per annum. Except as otherwise provided policies issued on or after the operative date of paragraph 4 of subsection I of Section 4029 of this title, policies issued on or after June 6, 1949, shall be valued, collectively as to all such policies or severally as to policies of any plan or form at the option of the company according to the American Experience Table of Mortality, the American Men Table of Mortality, the Commissioners 1941 Standard Ordinary Mortality Table or on and after July 1, 1962, the Commissioners 1958 Standard Ordinary Mortality Table for policies of ordinary insurance, and the Standard Industrial Mortality Table (1907), or the 1941 Standard Industrial Mortality Table or the Commissioners 1961 Standard Industrial Mortality Table for policies of industrial insurance, with interest at not more than three and one-half percent (3 1/2%) per annum, or four percent (4%) per annum in the case of policies issued on or after April 11, 1974, and prior to March 17, 1978, and four and one-half percent (4 1/2%) per annum for policies issued on or after March 17, 1978; provided, however, that policies issued to substandard risks or other special classes may be valued according to such other mortality tables, with interest at not more than three and one-half percent (3 1/2%) per annum, or four percent (4%) per annum in the case of policies issued on or after April 11, 1974, and prior to March 17, 1978, and four and one-half percent (4 1/2%) per annum for policies issued on or after March 17, 1978, as may be approved by the Insurance Commissioner.

2. For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies, the 1937 Standard Annuity Mortality Table, or, at the option of the company, the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the Commissioner.

3. For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies, the Group Annuity Mortality Table for 1951, any modification of such table approved by the Commissioner, or, at the option of the company, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

4. The mortality table used in determining the minimum standard for the valuation of ordinary life insurance policies issued on or after the operative date of paragraph 4 of subsection I of Section 4029 of this title shall be (i) the Commissioners 1980 Standard Ordinary Mortality Table, or (ii) at the election of the company for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors, or (iii) any ordinary mortality table, adopted after 1980 by the NAIC, that is approved by regulation promulgated by the Commissioner for use in determining the minimum standard of valuation for such policies.

5. Except as provided in subsection D of this section, the minimum standard of valuation for individual annuity and pure endowment contracts issued on or after the operative date of this section and for annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts shall be the Commissioner's reserve valuation methods defined in subsections G and H of this section and the following tables and interest rates:

(a) For individual annuity and pure endowment contracts issued prior to August 29, 1977, excluding any disability and accidental death benefit in such contracts, the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the Commissioner, and six percent (6%) interest for single premium immediate annuity contracts, and four percent (4%) interest for all other individual annuity and pure endowment contracts,

(b) For individual single premium immediate annuity contracts issued on or after August 29, 1977, excluding any disability and accidental death benefits in such contracts, the 1971 Individual Annuity Mortality Table or any individual annuity mortality table adopted after 1980 by the NAIC that is approved by regulation promulgated by the Commissioner for use

in determining the minimum standard of valuation for such contracts, or any modification of these tables approved by the Commissioner, and seven and one-half percent (7 1/2%) interest,

(c) For individual annuity and pure endowment contracts issued on or after August 29, 1977, other than single premium immediate annuity contracts, excluding any disability and accidental death benefits in such contracts, the 1971 Individual Annuity Mortality Table or any individual annuity mortality table adopted after 1980 by the NAIC that is approved by regulation promulgated by the Commissioner for use in determining the minimum standard of valuation for such contracts, or any modification of these tables approved by the Commissioner, and five and one-half percent (5 1/2%) interest for single premium deferred annuity and pure endowment contracts and four and one-half percent (4 1/2%) interest for all other such individual annuity and pure endowment contracts,

(d) For all annuities and pure endowments purchased prior to August 29, 1977, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 Group Annuity Mortality Table, or any modification of this table approved by the Commissioner, and six percent (6%) interest, and

(e) For all annuities and pure endowments purchased on or after August 29, 1977, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 Group Annuity Mortality Table or any group annuity mortality table adopted after 1980 by the NAIC that is approved by regulation promulgated by the Commissioner for use in determining the minimum standard of valuation for such annuities and pure endowments, or any modification of these tables approved by the Commissioner, and seven and one-half percent (7 1/2%) interest.

After June 14, 1973, any company may file with the Commissioner a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1985, which

shall be the operative date of this section for such company, provided, a company may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If a company makes no such election, the operative date of this section for such company shall be January 1, 1985.

D. 1. The interest rates used in determining the minimum standard for the valuation of all life insurance policies issued in a particular calendar year on or after the operative date of paragraph 4 of subsection I of Section 4029 of this title shall be the calendar year statutory valuation interest rates as defined in this section.

2. The interest rates used in determining the minimum standard valuation of individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1985, and annuities and pure endowments purchased in a particular calendar year on or after January 1, 1985, under group annuity and pure endowment contracts shall be the calendar year statutory valuation interest rates as defined in this section.

E. 1. The calendar year statutory valuation interest rates, I, shall be determined as follows and the results rounded to the nearest one-fourth of one percent (1/4 of 1%):

(a) For life insurance,

$$I = .03 + W (Ra - .03) + (W/2) (Rb - .09)$$

where Ra is the lesser of R and .09, Rb is the greater of R and .09, R is the reference interest rate defined in this section, and W is the weighting factor defined in this section,

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

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

where R 1 is the lesser of R and .09, R 2 is the greater of R and .09, R is the reference interest rate

defined in this section, and W is the weighting factor defined in this section,

(c) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis, except as stated in subparagraph (b) of this paragraph, the formula for life insurance stated in subparagraph (a) of this paragraph shall apply to annuities and guaranteed interest contracts with guarantee durations in excess of ten (10) years and the formula for single premium immediate annuities stated in subparagraph (b) of this paragraph shall apply to annuities and guaranteed interest contracts with guarantee duration of ten (10) years or less,

(d) For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the formula for single premium immediate annuities stated in subparagraph (b) of this paragraph shall apply, and

(e) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, the formula for single premium immediate annuities stated in subparagraph (b) of this paragraph shall apply.

2. However, if the calendar year statutory valuation interest rate for any life insurance policies issued in any calendar year determined without reference to this sentence differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than one-half of one percent (1/2 of 1%), the calendar year statutory valuation interest rate for such life insurance policies shall be equal to the corresponding actual rate for the immediately preceding calendar year. For purposes of applying the immediately preceding sentence, the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year shall be determined for 1980, using the reference interest rate defined for 1979, and shall be determined for each subsequent calendar year.

F. 1. The weighting factors referred to in the formulas stated above are given in the following table:

(a) Weighting Factors for Life Insurance:

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

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

(b) Weighting factor for single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options: .80

(c) Weighting factors for other annuities and for guaranteed interest contracts, except as stated in subparagraph (b) of this paragraph, shall be as specified in tables (1), (2) and (3) below, according to the rules and definitions in (4) and (5) below:

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

Guarantee Duration (Years)	Weighting Factor for Plan Type A	B	C
5 or less	.80	.60	.50

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

(2) For annuities and guaranteed interest contracts valued on a change in fund basis, the factors shown in (1) above increased by:

Plan Type		
A	B	C
.15	.25	.05

(3) For annuities and guaranteed interest contracts valued on an issue year basis (other than those with no cash settlement options) which do not guarantee interest on considerations received more than one (1) year after issue or purchase and for annuities and guaranteed interest contracts valued on a change in fund basis which do not guarantee interest rates on considerations received more than twelve (12) months beyond the valuation date, the factors shown in (1) or derived in (2) increased by:

Plan Type		
A	B	C
.05	.05	.05

(4) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the guarantee duration is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance policies with guarantee duration in excess of twenty (20) years. For other annuities with no cash settlement options and for

guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence.

(5) Plan type as used in the above tables is defined as follows:

Plan Type A: At any time policyholder may withdraw funds only (1) with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) without such adjustment but in installments over five (5) years or more, or (3) as an immediate life annuity, or (4) no withdrawal permitted.

Plan Type B: Before expiration of the interest rate guarantee, policyholder may withdraw funds only (1) with adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) without such adjustment but in installments over five (5) years or more, or (3) no withdrawal permitted. At the end of interest rate guarantee, funds may be withdrawn without such adjustment in a single sum or installments over less than five (5) years.

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

2. A company may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue year basis or on a change in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options shall be valued on

an issue year basis. As used in this section, an issue year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract, and the change in fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

G. 1. The reference interest rate referred to above shall be defined as follows:

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

(b) For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the average over a period of twelve (12) months, ending on June 30 of the calendar year of issue or year of purchase of the Monthly Average of the Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.,

(c) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis, except as stated in subparagraph (b) of this paragraph, with guarantee duration in excess of ten (10) years, the lesser of the average over a period of thirty-six (36) months and the average over a period of twelve (12) months, ending on June 30 of the calendar year of issue or purchase, of the Monthly Average of the Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.,

(d) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis, except as stated in subparagraph (b) of this paragraph, with guarantee duration of ten (10) years or less, the average over a period of twelve (12) months, ending on June 30 of the calendar year of issue or purchase, of the Monthly Average of the Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.,

(e) For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the average over a period of twelve (12) months, ending on June 30 of the calendar year of issue or purchase, of the Monthly Average of the Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc., and

(f) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, except as stated in subparagraph (b) of this paragraph, the average over a period of twelve (12) months, ending on June 30 of the calendar year of the change in the fund, of the Monthly Average of the Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.

H. In the event that the Moody's Corporate Bond Yield Average - Monthly Average Corporates is no longer published by Moody's Investors Service, Inc., or in the event that the NAIC determines that the Moody's Corporate Bond Yield Average - Monthly Average Corporates as published by Moody's Investors Service, Inc., is no longer appropriate for the determination of the reference interest rate, then an alternative method for determination of the reference interest rate, which is adopted by the NAIC and approved by regulation promulgated by the Commissioner, may be substituted.

I. The Commissioner may vary the standards of interest and mortality in particular cases of invalid life and other extra hazards and value policies in groups, use approximate averages for fractions of a year and otherwise, and accept the valuation of the Department of Insurance of any other state or country, if made upon

a basis and according to standards not lower than herein required or authorized, in place of the valuation herein required.

J. If in any contract year the gross premium charged by any company on any policy or contract is less than the valuation net premium for the policy or contract calculated by the method used in computing the reserve liability thereon but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for such policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest and method actually used for such policy or contract, or the reserve calculated by the method actually used for such policy or contract, but using the minimum valuation standards of mortality and rate of interest and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium. The minimum valuation standards of mortality and rate of interest referred to in this subsection are those standards stated in this section.

Provided that for any life insurance policy issued on or after January 1, 1986, for which the gross premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess, and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than such excess premium, the foregoing provisions of this subsection shall be applied as if the method actually used in calculating the reserve for such policy were the method described in paragraph 2 of subsection L of this section, ignoring subparagraph (c) of that paragraph. The minimum reserve at each policy anniversary of such a policy shall be the greater of the minimum reserve calculated in accordance with paragraph 2 of subsection L of this section, including subparagraph (c) of that paragraph, and the minimum reserve calculated in accordance with this subsection.

K. Term Insurance.

Policies issued by life insurance companies doing business in this state may provide for not more than one (1) year preliminary term insurance, purchased by the whole or part of the premium to be received during the first policy year, under the conditions prescribed in this section.

L. Reserves.

1. Reserves on policies of ordinary insurance which are valued in accordance with the American Experience Table of Mortality, or the American Men Table of Mortality, and policies of industrial insurance which are valued in accordance with the Standard Industrial Mortality Table (1907), which are issued on or after June 6, 1949, may be computed as follows: If the premium charged for term insurance under a limited payment life preliminary term policy providing for the payment of all premiums thereon in less than twenty (20) years from the date of the policy or under an endowment preliminary term policy, exceeds that charged for life insurance, under twenty-year payment life preliminary term policies of the same company, the reserve thereon at the end of any year, including the first, shall not be less than the reserve on a twenty-payment life preliminary term policy issued in the same year and at the same age, together with an amount which shall be equivalent to the accumulation of a net level premium sufficient to provide for a pure endowment at the end of the premium payment period equal to the difference between the value at the end of such period of such a twenty-payment life preliminary term policy and the full reserve at such time of such a limited payment life or endowment policy. The premium payment period is the period during which premiums are concurrently payable under such twenty-payment life preliminary term policy and such limited payment life or endowment policy. Any policy valued in accordance with this paragraph shall specify the mortality table, rate of interest, and method used in calculating the reserves on the policy.

2. Reserves on policies of ordinary insurance which are valued in accordance with the Commissioners 1941 Standard Ordinary Mortality Table, the Commissioners 1958 Standard Ordinary Mortality Table, or the Commissioners 1980 Standard Ordinary Mortality Table, policies of industrial insurance which are valued in accordance with the 1941 Standard Industrial Mortality Table or the Commissioners 1961 Standard Industrial Mortality Table and policies valued in accordance with any substandard mortality table approved by the Commissioner pursuant to this section, issued on or after June 6, 1949, may be computed in accordance with the Commissioners Reserve Valuation method, defined as follows: Reserves for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums

for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of subparagraph (a) over subparagraph (b) as follows:

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

(b) a net one-year term premium for such benefits provided for in the first policy year, and

(c) provided that for any life insurance policy issued on or after January 1, 1986, for which the contract premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than such excess premium, the reserve according to the commissioners reserve valuation method as of any policy anniversary occurring on or before the assumed ending date defined herein as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than such excess premium shall, except as otherwise provided in subsection J of this section, be the greater of the reserve as of such policy anniversary calculated as described in this paragraph and the reserve as of such policy anniversary calculated as described in subparagraph (a) of this paragraph, but with (i) the value defined in subparagraph (a) of that paragraph being reduced by fifteen percent (15%) of the amount of such excess first-year premium, (ii) all present values of benefits and premiums being determined without

reference to premiums or benefits provided for by the policy after the assumed ending date, (iii) the policy being assumed to mature on such date as an endowment, and (iv) the cash surrender value provided on such date being considered as an endowment benefit. In making the above comparison, the mortality and interest bases stated in this section shall be used.

Reserves for life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums shall be calculated by a method consistent with the principles of paragraph 2 of this subsection, provided that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums. All modified net premiums and present values referred to in this section, except those based on sex-distinct mortality tables, may be calculated according to an age not more than six (6) years younger than the actual age of the insured in the case of any category of ordinary policies issued on female risks.

M. 1. Reserves on policies of any category may be computed, at the option of the company, according to any valuation standard which produces greater aggregate reserves than those computed according to the minimum standard provided in this section.

2. In the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurance company based on then estimates of future experience, or in the case of any plan of life insurance or annuity which is of such a nature that the minimum reserves cannot be determined by the methods described in subsections C, I, J, K, and N of this section, the reserves which are held under any such plan must:

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

(b) be computed by a method which is consistent with the principles of this Standard Valuation Law,

as determined by regulations promulgated by the Commissioner.

N. This section shall apply to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation,

established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as now or hereafter amended.

Reserves according to the Commissioners Annuity Reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of such contract, that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate, or rates, specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.

O. For accident and health insurance contracts issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual is the minimum standard of valuation required under paragraph 2 of subsection B of this section. For accident and health insurance contracts issued prior to the operative date of the valuation manual, the minimum standard of valuation is the standard adopted by the commissioner by rule.

P. Valuation Manual for Policies Issued On or After the Operative Date of the Valuation Manual.

1. For policies issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual is the minimum standard of valuation required under paragraph 2 of subsection B of this section, except as provided under ~~paragraphs~~ paragraph 5 or 7 of this subsection.

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

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

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

~~c.~~ (c) the Standard Valuation Law, as amended by the NAIC in 2009, or legislation including substantially similar terms and provisions, has been enacted by at least forty-two of the following fifty-five jurisdictions: the fifty states of the United States, American Samoa, the American Virgin Islands, the District of Columbia, Guam, and Puerto Rico.

3. Unless a change in the valuation manual specifies a later effective date, changes to the valuation manual shall be effective on January 1 following the date when all of the following have occurred:

~~a.~~ (a) the change to the valuation manual has been adopted by the NAIC by an affirmative vote representing:

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

(2) members of the NAIC representing jurisdictions totaling greater than seventy-five percent (75%) of the direct premiums written as reported in the following annual statements most recently available prior to the vote in division (1) of this subparagraph: life, accident and health annual statements; health annual statements; or fraternal annual statements, and

~~b.~~ (b) the valuation manual becomes effective pursuant to order adopted by the commissioner.

4. The valuation manual must specify all of the following:

~~a.~~ (a) minimum valuation standards for and definitions of the policies or contracts subject to paragraph 2 of subsection B of this section. Such minimum valuation standards shall be:

(1) the commissioner's reserve valuation method for life insurance contracts, other than annuity contracts, subject to paragraph 2 of subsection B of this section,

(2) the commissioner's annuity reserve valuation method for annuity contracts subject to paragraph 2 of subsection B of this section, and

(3) minimum reserves for all other policies or contracts subject to paragraph 2 of subsection B of this section,

~~b.~~ (b) which policies or contracts or types of policies or contracts that are subject to the requirements of a principle-based valuation in paragraph 1 of subsection Q of this section and the minimum valuation standards consistent with those requirements,

~~c.~~ (c) for policies and contracts subject to a principle-based valuation under subsection Q of this section:

(1) requirements for the format of reports to the commissioner under subparagraph (c) of paragraph 2 of subsection Q of this section and which shall include information necessary to determine if the valuation is appropriate and in compliance with this section,

(2) assumptions shall be prescribed for risks over which the company does not have significant control or influence, and

(3) procedures for corporate governance and oversight of the actuarial function, and a process for appropriate waiver or modification of such procedures,

~~d.~~ (d) for policies not subject to a principle-based valuation under subsection Q of this section, the minimum valuation standard shall either:

(1) be consistent with the minimum standard of valuation prior to the operative date of the valuation manual, or

(2) develop reserves that quantify the benefits and guarantees, and the funding, associated with the contracts and their risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring,

~~e.~~ (e) other requirements, including, but not limited to, those relating to reserve methods, models for measuring risk, generation of economic scenarios, assumptions, margins, use of company experience, risk measurement, disclosure, certifications, reports, actuarial opinions and memorandums, transition rules and internal controls, and

~~f.~~ (f) the data and form of the data required under subsection R of this section, with whom the data must be submitted, and may specify other requirements, including data analyses and reporting of analyses.

5. In the absence of a specific valuation requirement or if a specific valuation requirement in the valuation manual is not, in the opinion of the commissioner, in compliance with this subsection, then the company shall, with respect to such requirements, comply with minimum valuation standards prescribed by the commissioner by regulation.

6. The commissioner may engage a qualified actuary, at the expense of the company, to perform an actuarial examination of the company and opine on the appropriateness of any reserve assumption or method used by the company, or to review and opine on a company's compliance with any requirement set forth in this section. The commissioner may rely upon the opinion, regarding provisions contained within this section, of a qualified actuary engaged by the commissioner of another state, district or territory of the United

States. As used in this paragraph, the term "engage" includes employment and contracting.

7. The commissioner may require a company to change any assumption or method that in the opinion of the commissioner is necessary in order to comply with the requirements of the valuation manual or this section; and the company shall adjust the reserves as required by the commissioner. The commissioner may take other disciplinary action as permitted pursuant to rule.

Q. Requirements of a Principle-Based Valuation.

1. A company must establish reserves using a principle-based valuation that meets the following conditions for policies or contracts as specified in the valuation manual:

~~a.~~ (a) quantify the benefits and guarantees, and the funding, associated with the contracts and their risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring during the lifetime of the contracts. For policies or contracts with significant tail risk, reflects conditions appropriately adverse to quantify the tail risk,

~~b.~~ (b) incorporate assumptions, risk analysis methods and financial models and management techniques that are consistent with, but not necessarily identical to, those utilized within the company's overall risk assessment process, while recognizing potential differences in financial reporting structures and any prescribed assumptions or methods,

~~c.~~ (c) incorporate assumptions that are derived in one of the following manners:

(1) the assumption is prescribed in the valuation manual,

(2) for assumptions that are not prescribed, the assumptions shall:

(i) be established utilizing the company's available experience, to the extent it is relevant and statistically credible, or

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

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

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

~~a.~~ (a) establish procedures for corporate governance and oversight of the actuarial valuation function consistent with those described in the valuation manual,

~~b.~~ (b) provide to the commissioner and the board of directors an annual certification of the effectiveness of the internal controls with respect to the principle-based valuation. Such controls shall be designed to assure that all material risks inherent in the liabilities and associated assets subject to such valuation are included in the valuation, and that valuations are made in accordance with the valuation manual. The certification shall be based on the controls in place as of the end of the preceding calendar year, and

~~c.~~ (c) develop, and file with the commissioner upon request, a principle-based valuation report that complies with standards prescribed in the valuation manual.

3. A principle-based valuation may include a prescribed formulaic reserve component.

R. Experience Reporting for Policies In Force On or After the Operative Date of the Valuation Manual.

A company shall submit mortality, morbidity, policyholder behavior, or expense experience and other data as prescribed in the valuation manual.

S. When the actual funds of any life insurance company doing business in this state, exclusive of its capital, are not of a net cash value equal to its liabilities including the net value of its policies according to the basis and minimum standards prescribed or authorized by the laws of this state, it shall be the duty of the Insurance Commissioner to give notice to such company and its agents to discontinue issuing new policies within this state, until such time as its funds have become equal to its liabilities as aforesaid. Any officer or agent who, after such notice has been given, issues or delivers a new policy from and on behalf of such company before its funds have become equal to its liabilities, as aforesaid, shall forfeit to the state for each offense a sum not less than One Hundred Dollars ($100.00) nor more than Five Thousand Dollars ($5,000.00) for each occurrence.

T. Single State Exemption.

1. The Commissioner may exempt specific product forms or product lines of a domestic company that is licensed and doing business only in Oklahoma from the requirements of subsection P of this section provided:

~~a.~~ (a) the Commissioner has issued an exemption in writing to the company and has not subsequently revoked the exemption in writing, and

~~b.~~ (b) the company computes reserves using assumptions and methods used prior to the operative date of the valuation manual in addition to any requirements established by the commissioner and promulgated by regulation.

2. ~~A domestic company that has less than Three Hundred Million Dollars ($300,000,000.00) of ordinary life premiums and is licensed and doing business in Oklahoma is exempt from the requirements of subsection P provided:~~

~~a. if the company is a member of a group of life insurers, the group has combined ordinary life premiums of less than One Billion Dollars ($1,000,000,000.00),~~

~~b. the company has an RBC ratio of at least four hundred and fifty percent (450%) of authorized control level RBC, and~~

~~c. the appointed actuary has provided an unqualified opinion on the reserves in accordance with subsections A and B of Section 4061 of this title.~~

~~3. For purposes of subsection 2 above, ordinary life premiums are measured as direct plus reinsurance assumed from an unaffiliated company from the prior calendar year annual statement.~~

~~4.~~ For any company ~~that is exempt or is~~ granted an exemption under this section, subsections B and C of Section 4061 of this title and subsections C, D, E, F, G, H, J, K, L, M, N and O of this section shall be applicable. With respect to any company applying this exemption, any reference to subsection P found in subsections B and C of Section 4061 and subsections C, D, E, F, G, H, J, K, L, M, N and O of this section shall not be applicable.

U. Conflict of law.

If any provision of law is inconsistent with the provisions of this section, this section shall prevail.

SECTION 5. AMENDATORY 36 O.S. 2011, Section 1654, as amended by Section 9, Chapter 269, O.S.L. 2013 (36 O.S. Supp. 2015, Section 1654), is amended to read as follows:

Section 1654. A. Every insurer which is authorized to do business in this state and which is a member of an insurance holding company system and every individual who controls an insurer shall annually register with the Insurance Commissioner, except a foreign insurer subject to disclosure requirements and standards adopted by statute or regulation in the jurisdiction of its domicile which are substantially similar to those contained in this section. Any insurer which is subject to registration under this section shall register thirty (30) days after it becomes subject to registration, and annually thereafter by May 1 of each year for the previous calendar year, unless the Commissioner for good cause shown extends the time for registration, and then within such extended time. The Commissioner may require any authorized insurer which is a member of a holding company system which is not subject to registration under this section to furnish a copy to the Commissioner of the registration statement or other information filed by such insurance

company with the insurance regulatory authority of domiciliary jurisdiction.

B. Every insurer subject to registration shall file a registration statement on a form prescribed by the National Association of Insurance Commissioners, which shall contain current information about:

1. The capital structure, general financial condition, ownership and management of the insurer and any person controlling the insurer;

2. The identity and relationship of every member of the insurance holding company system;

3. The following agreements in force, relationships subsisting, and transactions currently outstanding or which have occurred during the previous calendar year between such insurer and its affiliates:

a. loans, other investments or purchases, sales or exchanges of securities of the affiliates by the insurer or of the insurer by its affiliates,

b. purchases, sales or exchanges of assets,

c. transactions not in the ordinary course of business,

d. guarantees or undertakings for the benefit of an affiliate which result in an actual contingent exposure of the insurer's assets to liability, other than insurance contracts entered into in the ordinary course of the insurer's business,

e. all management and service contracts and all cost-sharing arrangements,

f. reinsurance agreements covering all or substantially all of one or more lines of insurance of the ceding company,

g. dividends and other distributions to shareholders, and

h. consolidated tax allocation agreements;

4. Other matters concerning transactions between registered insurers or fraternal benefit society and any affiliates as may be included from time to time in any registration forms adopted or approved by the Commissioner; and

5. Any pledge of the insurer's stock, including stock of any subsidiary or controlling affiliate, for a loan made to any member of the insurance holding company system.

C. No information need be disclosed on the registration statement filed pursuant to subsection B of this section if such information is not material for the purposes of this section. Unless the Commissioner by rule, regulation or order provides otherwise, sales purchases, exchanges, loans or extensions of credit, or investments, involving one-half of one percent (1/2 of 1%) or less of an insurer's admitted assets as of December 31 next preceding shall not be deemed material for purposes of this section.

D. Each registered insurer shall keep current the information required to be disclosed in its registration statement by reporting all material changes or additions on amendment forms provided by the Commissioner within fifteen (15) days after the end of the month in which it learns of each such change or addition; provided, however, that subject to subsection (c) of Section 1655 of this title, each registered insurer shall so report all dividends and other distributions to shareholders within two (2) business days following the declaration thereof.

E. The Commissioner shall terminate the registration of any insurer which demonstrates that it no longer is a member of an insurance holding company system.

F. The Commissioner may require two or more affiliated insurers subject to registration hereunder to file a consolidated registration statement or consolidated reports amending their consolidated registration statement, so long as such consolidated filings correctly reflect the condition of and transactions between such persons.

G. The Commissioner may allow an insurer which is authorized to do business in this state and which is a part of an insurance holding company system to register on behalf of any affiliated insurer which is required to register under subsection A of this section and to file all information and material required to be filed under Sections 1651 through 1662 of this title.

H. The provisions of this section shall not apply to any insurer, information or transaction if and to the extent that the Commissioner by rule, regulation, or order shall exempt the same from the provisions of this section.

I. Any person may file with the Commissioner a disclaimer of affiliation with any authorized insurer or such a disclaimer may be filed by such insurer or any member of an insurance holding company system. The disclaimer shall fully disclose all material relationships and bases for affiliation between such person and such insurer as well as the basis for disclaiming such affiliation. After a disclaimer has been filed, the insurer shall be relieved of any duty to register or report under this section which may arise out of the insurer's relationship with such person unless and until the Commissioner disallows such a disclaimer. The Commissioner shall disallow such a disclaimer only after furnishing all parties in interest with notice and opportunity to be heard and after making specific findings of fact to support such disallowance.

J. All registration statements shall contain a summary outlining all items in the current registration statement representing changes from the prior registration statement.

K. Every domestic insurer that is a member of a holding company system shall report to the Insurance Department all dividends to shareholders within five (5) business days following declaration and at least ten (10) days, commencing from date of receipt by the Department, prior to payment thereof.

L. The ultimate controlling person of every insurer subject to registration shall also file an annual enterprise risk report by May 1 of each year for the previous calendar year. The report shall, to the best of the ultimate controlling person's knowledge and belief, identify the material risks within the insurance holding company system that could pose enterprise risk to the insurer. The report shall be filed with the lead state commissioner of the insurance holding company system as determined by the procedures within the Financial Analyst Handbook adopted by the National Association of Insurance Commissioners.

M. Any person within an insurance holding company system subject to registration shall be required to provide complete and accurate information to an insurer where such information is

reasonably necessary to enable the insurer to comply with the provisions of this article.

N. The failure to file a registration statement, any summary of the registration statement thereto, or any additional information required by this section within the time specified for such filing shall be a violation of this section.

SECTION 6. AMENDATORY 36 O.S. 2011, Section 4101.1, is amended to read as follows:

Section 4101.1 A. Insurance under any group life insurance policy issued pursuant to subsections A, C, and D, of Section 4101 of this title, may be extended to insure the dependents, or any class or classes thereof, of each insured employee or member who so elects in amounts in accordance with a plan which precludes individual selection. The term "dependent" is the spouse of the insured employee or member and an insured employee's or member's child under ~~twenty-one (21)~~ twenty-six (26) years of age or his or her child ~~twenty-one (21)~~ twenty-six (26) years or older who is attending an educational institution and relying upon the insured employee or member for financial support.

B. Premiums for the insurance on such dependents shall be paid by the policyholder either wholly from policyholder's funds, or from funds contributed wholly by the employees or members, or partly from funds contributed by the policyholder and partly by the employees or members.

C. A dependent pursuant to this section shall have the same conversion right as to the insurance on his or her life as is vested in the employee or union member.

D. Notwithstanding the provisions of paragraph 7 of Section 4103 of this title, only one certificate need be issued for each family unit if a statement concerning any dependent's coverage is included in such certificate.

SECTION 7. AMENDATORY 36 O.S. 2011, Section 6060.4, is amended to read as follows:

Section 6060.4 A. A health benefit plan delivered, issued for delivery or renewed in this state on or after January 1, 1998, that provides benefits for the dependents of an insured individual shall

provide coverage for each child of the insured, from birth through the date the child is eighteen (18) years of age for:

1. Immunization against:

a. diphtheria,

b. hepatitis B,

c. measles,

d. mumps,

e. pertussis,

f. polio,

g. rubella,

h. tetanus,

i. varicella,

j. haemophilus influenzae type B, and

k. hepatitis A; and

2. Any other immunization subsequently required for children by the State Board of Health.

B. Benefits required pursuant to subsection A of this section shall not be subject to a deductible, co-payment, or coinsurance requirement.

C. 1. For purposes of this section, "health benefit plan" means a plan that:

a. provides benefits for medical or surgical expenses incurred as a result of a health condition, accident, or sickness, and

b. is offered by any insurance company, group hospital service corporation, the State and Education Employees Group Insurance Board, or health maintenance organization that delivers or issues for delivery an

individual, group, blanket, or franchise insurance policy or insurance agreement, a group hospital service contract, or an evidence of coverage, or, to the extent permitted by the Employee Retirement Income Security Act of 1974, 29 U.S.C., Section 1001 et seq., by a multiple employer welfare arrangement as defined in Section 3 of the Employee Retirement Income Security Act of 1974, or any other analogous benefit arrangement, whether the payment is fixed or by indemnity.

2. The term "health benefit plan" shall not include:

a. a plan that provides coverage:

(1) only for a specified disease or diseases or under an individual limited benefit policy,

(2) only for accidental death or dismemberment,

(3) only for dental or vision care,

(4) a hospital confinement indemnity policy,

(5) disability income insurance or a combination of accident-only and disability income insurance, or

(6) as a supplement to liability insurance,

b. a Medicare supplemental policy as defined by Section 1882(g)(1) of the Social Security Act (42 U.S.C., Section 1395ss),

c. ~~worker's~~ workers' compensation insurance coverage,

d. medical payment insurance issued as part of a motor vehicle insurance policy,

e. a long-term care policy, including a nursing home fixed indemnity policy, unless a determination is made that the policy provides benefit coverage so comprehensive that the policy meets the definition of a health benefit plan, or

f. short-term health insurance issued on a nonrenewable basis with a duration of six (6) months or less.

SECTION 8. AMENDATORY 36 O.S. 2011, Section 6121, is amended to read as follows:

Section 6121. A. Any individual, firm, partnership, corporation, or association (hereinafter called "organization") which shall accept money or anything of value for prearranged, or prepaid funeral services, or funeral service merchandise as defined in the Funeral Services Licensing Act or for any contract providing future funeral services or funeral merchandise at a fixed price or at a cost plus a percentage, or at retail price less a percentage discount, or providing for any special consideration of any kind to be granted or made available to the purchaser or holder of such contract, in this state, under any sales contract, bond, certificate or other form of written document providing for prepaid, discounted or otherwise specially priced funeral or burial benefits or services or funeral merchandise to be delivered at an undetermined future date dependent upon the death of a contracting party or other person designated by a contracting party (hereinafter called "prepaid funeral benefits") shall first obtain a permit from the Insurance Commissioner authorizing the transaction of this type of business before entering into any such contract. It shall be unlawful to sell prepaid funeral benefits unless the seller holds a valid, current permit at the time the contract is made.

B. The Insurance Commissioner may deny the issuance of a permit if the organization:

1. Makes a material misstatement or misrepresentation in an application for a permit; ~~or~~

2. Fraudulently or deceptively obtains or attempts to obtain a permit for another; or

3. If any of its officers, owners, partners, or directors are determined by the Commissioner to not be competent, trustworthy, financially responsible, and of good personal and business reputation and character.

C. The Insurance Commissioner may approve an application of an organization for a permit and deny the request of the organization to act as a trustor if the organization does not satisfy all

qualifications. This shall not hinder an organization from entering into contracts funded by assignments of insurance.

D. All permits issued pursuant to the provisions of this section shall be displayed in a conspicuous place at all times on the premises of the organization. No organization may consent to, or allow the use or display of, the permit by a person other than the persons authorized to represent the organization in contracting prepaid funeral benefits.

E. The organization shall not be entitled to enforce a contract made in violation of the act, but the purchaser or the heirs of the purchaser, or legal representative, shall be entitled to recover triple the amounts paid to the organization with interest thereon at the rate of six percent (6%) per annum under any contract made in violation hereof.

SECTION 9. AMENDATORY 36 O.S. 2011, Section 6124, is amended to read as follows:

Section 6124. A. Each organization desiring to accept money or anything of value for prepaid funeral benefits or an agreement to provide funeral benefits in the future at a fixed or predetermined cost, shall file an application for a permit with the Insurance Commissioner, and shall at the time of filing an application pay one initial filing fee of Fifty Dollars ($50.00). The Insurance Commissioner shall issue a permit upon:

1. The receipt of the application and payment of the filing fee;

2. Determination that the organization is in good standing as a funeral establishment with the Oklahoma Funeral Board; and

3. Making a finding that the organization has complied with the rules promulgated under this act by the Insurance Commissioner. All applications shall be signed by the organization requesting the permit, and shall contain a statement that the organization will comply with all the requirements as established by this act. All permits shall expire on December 31 of the year the permit is first issued, unless renewed; permits may be renewed for a period not to exceed the succeeding December 31 upon the payment of a renewal fee of Fifty Dollars ($50.00). Late application for renewal of a permit shall require a fee of double the renewal fee. No application for renewal of a permit shall be accepted after January 31 of each year.

The Insurance Commissioner may authorize acceptance of a new permit application pursuant to this section prior to the expiration of the one-year period upon good cause shown.

B. The Insurance Commissioner may cancel a permit or refuse to issue a permit or refuse to issue a renewal of a permit for failure to comply with any provision of this act, or any valid rule, which the Insurance Commissioner has promulgated, after reasonable notice to the organization and after hearing if the organization requests a hearing. When the Insurance Commissioner cancels a permit or refuses to issue a renewal of a permit for a violation as provided by this subsection, the Insurance Commissioner shall notify the Oklahoma Funeral Board of the action and the nature of any violations.

C. No organization shall be entitled to a new permit for a period of one (1) year after cancellation~~,~~ or refusal by the Insurance Commissioner to issue or renew the permit of the organization, but shall thereafter be entitled to a new permit upon satisfactory proof of compliance with this law~~,~~ after the expiration of the one-year period.

D. Any person or organization aggrieved by the actions of the Insurance Commissioner may appeal therefrom as provided by Article II of the Administrative Procedures Act.

SECTION 10. AMENDATORY 36 O.S. 2011, Section 6220, as amended by Section 5, Chapter 297, O.S.L. 2015 (36 O.S. Supp. 2015, Section 6220), is amended to read as follows:

Section 6220. A. The Commissioner may censure, suspend, revoke, or refuse to issue or renew a license after hearing for any of the following causes:

1. Material misrepresentation or fraud in obtaining an adjuster's license;

2. Any cause for which original issuance of a license could have been refused;

3. Misappropriation, conversion to the personal use of the licensee, or illegal withholding of monies required to be held by the licensee in a fiduciary capacity;

4. Material misrepresentation of the terms and effect of any insurance contract, with intent to deceive, or engaging in, or attempting to engage in, any fraudulent transaction with respect to a claim or loss that the licensee or the trainee is adjusting and, in the case of a public adjuster, misrepresentation of the services offered or the fees or commission to be charged;

5. Conviction of or pleading guilty or nolo contendere to a felony pursuant to the laws of this state, any other state, the United States, or any foreign country;

6. If in the conduct of business affairs, the licensee or trainee has shown himself to be, and is so deemed by the Commissioner, incompetent, untrustworthy or a source of injury to the public;

7. Refusal to comply with any lawful order of the Commissioner;

8. Violation of any provision of the Insurance Adjusters Licensing Act;

9. Adjusting losses or negotiating claim settlements arising pursuant to provisions of insurance contracts on behalf of an insurer or insured without proper licensing ~~or~~ from the Commissioner and authority from the licensed insurer or the insured party;

10. Failing to respond to any inquiry (including electronic communications) from the Department within thirty (30) calendar days of receipt of such inquiry;

11. Forging another's name to any document;

12. Obtaining or attempting to obtain a license through misrepresentation or fraud;

13. Having admitted or been found to have committed any insurance unfair trade practice or insurance fraud;

14. Having an insurance adjuster license or its equivalent denied, suspended, censured, placed on probation or revoked in any other state, province, district or territory;

15. Failing to inform the Department, by any means acceptable to the Department, of a change of address, change of legal name or

change of information submitted on the application within thirty (30) days of the change; or

16. Providing services as a public adjuster, company adjuster or independent adjuster on the same claim.

B. In addition to or in lieu of any applicable denial, suspension, or revocation of a license, any person violating the provisions of the Insurance Adjusters Licensing Act may be subject to a civil fine of not more than One Thousand Dollars ($1,000.00) for each violation. This fine may be enforced in the same manner in which civil judgment may be enforced.

C. If the license of an adjuster is suspended, revoked, or not renewed, the licensee shall surrender said license to the Commissioner.

D. The Commissioner shall not reinstate a license to any person whose license has been suspended, revoked, or refused renewal until the Commissioner determines that the cause or causes for the suspension, revocation, or nonrenewal of said license no longer exist.

E. The Department shall retain the authority to enforce the provisions of and impose any penalty or remedy authorized by this title against any person who is under investigation for or charged with a violation even if the person's license or registration has been surrendered or has lapsed by operation of law.

F. It shall be unlawful for any person, firm, association, company or corporation to act as an adjuster without first obtaining a license pursuant to the Insurance Adjusters Licensing Act. Any person convicted of violating the provisions of this subsection shall be guilty of a misdemeanor and shall be punished as set forth in Section 10 of Title 21 of the Oklahoma Statutes.

SECTION 11. AMENDATORY Section 7, Chapter 297, O.S.L. 2015 (36 O.S. Supp. 2015, Section 6223), is amended to read as follows:

Section 6223. A. A public adjuster shall not misrepresent to a claimant that the public adjuster is an adjuster representing an insurer in any capacity, including acting as an employee of the insurer or acting as an independent adjuster.

B. No public adjuster shall split any commission, service fee or other valuable consideration for performing adjusting services with any person or entity unless that person or entity is required to be licensed as a public adjuster under this title and is so licensed.

C. Prior to the signing of the contract the public adjuster shall provide the insured with a separate disclosure document regarding the claim process that states:

1. Property insurance policies obligate the insured to present a claim to his or her insurance company for consideration. There are three types of adjusters that could be involved in that process. The definitions of the three types are as follows:

a. "company adjuster" means the insurance adjusters who are employees of an insurance company. They represent the interest of the insurance company and are paid by the insurance company. They will not charge you a fee,

b. "independent adjuster" means the insurance adjusters who are hired on a contract basis by an insurance company to represent the insurance company's interest in the settlement of the claim. They are paid by your insurance company. They will not charge you a fee, and

c. "public adjuster" means the insurance adjusters who do not work for any insurance company. They work for the insured to assist in the preparation, presentation and settlement of the claim. The insured hires them by signing a contract agreeing to pay them a fee or commission based on a percentage of the settlement, or other method of compensation;

2. The insured is not required to hire a public adjuster to help the insured meet his or her obligations under the policy, but has the right to do so;

3. The public adjuster is not a representative or employee of the ~~insured~~ insurer; and

4. The salary, fee, commission or other consideration is the obligation of the insured, not the insurer.

D. The public adjuster shall provide the insurer a notification letter which has been signed by the insured authorizing the public adjuster to represent the insured's interest.

E. A public adjuster who receives, accepts or holds any funds on behalf of an insured towards the settlement of a claim for loss or damage shall deposit the funds in a non-interest-bearing escrow or trust account in a financial institution that is insured by an agency of the federal government in the public adjuster's home state or where the loss occurred.

F. A public adjuster shall maintain a complete record of each transaction as a public adjuster for at least five (5) years after the termination of the transaction and the record shall be open to examination by the Department at all times. The records required by this subsection shall include the following:

1. Name of the insured;

2. Date, location and amount of the loss;

3. Copy of the signed contract between the public adjuster and insured;

4. Name of the insurer, amount, expiration date and number of each policy carried with respect to the loss;

5. Itemized statement of the insured's recoveries;

6. Itemized statement of all compensation received by the public adjuster, from any source whatsoever, in connection with the loss;

7. A register of all monies received, deposited, disbursed or withdrawn in connection with a transaction with an insured, including fees, transfers and disbursements from a trust account, and all transactions concerning all interest-bearing accounts;

8. Name of the public adjuster who executed the contract; and

9. Name of the attorney representing the insured, if applicable, and the name of the claims representatives of the insurance company.

G. A public adjuster is obligated under his or her license to serve with objectivity and complete loyalty to the interest of his or her client alone; and to render to the insured such information, counsel and service as within the knowledge, understanding and opinion in good faith of the licensee will best serve the insured's insurance claim needs and interest.

H. A public adjuster shall not solicit or attempt to solicit an insured during the progress of a loss-producing occurrence.

I. A public adjuster shall not permit an unlicensed employee or representative of the public adjuster to conduct business for which a license is required.

J. A public adjuster shall not acquire any interest in salvage of property subject to the contract with the insured unless the public adjuster obtains written permission from the insured after settlement of the claim with the insurer.

K. The public adjuster shall not refer or direct the insured to obtain needed repairs or services in connection with a loss from any person or entity with whom the public adjuster has a financial interest or from whom the public adjuster may receive direct or indirect compensation for the referral.

L. Any compensation or anything of value in connection with an insured's specific loss that will be received by a public adjuster from any third party shall be disclosed by the public adjuster to the insured in writing including the source and amount of any such compensation.

M. A public adjuster shall not enter into a contract or accept a power of attorney that vests in the public adjuster the effective authority to choose the persons who shall perform repair work.

N. A public adjuster may not agree to any loss settlement without the insured's knowledge and consent.

O. On a percentage fee contract, a public adjuster may not require, demand or accept any fee, retainer, compensation, deposit or other thing of value prior to payment of any claim proceeds, whether such payment is partial in nature or payment in full.

SECTION 12. AMENDATORY 36 O.S. 2011, Section 6470.2, as last amended by Section 14, Chapter 298, O.S.L. 2015 (36 O.S. Supp. 2015, Section 6470.2), is amended to read as follows:

Section 6470.2 As used in the Oklahoma Captive Insurance Company Act:

1. "Alien company" means an insurance company formed and licensed pursuant to the laws of a country or jurisdiction other than the United States of America, or any of its states, districts, commonwealths and possessions;

2. "Affiliated company" means a company in the same corporate system as a parent, an industrial insured, or a member organization by virtue of common ownership, control, operation, or management;

3. "Association" means a legal association of individuals, corporations, partnerships, or associations that has been in continuous existence for at least one (1) year or such lesser period of time approved by the Commissioner:

a. the member organizations of which, or which does itself or either of them acting in concert directly or indirectly own, control, or hold with power to vote all of the outstanding voting securities or interests of, or have complete voting control over an association captive insurance company, or

b. the member organizations of which collectively constitute all of the subscribers of an association captive insurance company formed as a reciprocal insurer;

4. "Association captive insurance company" means a captive insurance company that insures risks of the member organizations of the association and their affiliated companies;

5. "Branch business" means any insurance business transacted by a branch captive insurance company in this state;

6. "Branch captive insurance company" means an alien captive insurance company licensed by the Insurance Commissioner to transact the business of insurance in this state through a business unit with a principal place of business in this state. A branch captive insurance company must be a pure captive insurance company with

respect to operations in this state, unless otherwise permitted by the Insurance Commissioner;

7. "Branch operations" means any business operations of a branch captive insurance company in this state;

8. "Capital and surplus" means the amount by which the value of all of the assets of the captive insurance company exceeds all of the liabilities of the captive insurance company, as determined under the method of accounting utilized by the captive insurance company in accordance with the applicable provisions of this act;

9. "Captive insurance company" means a pure captive insurance company, association captive insurance company, sponsored captive insurance company, special purpose captive insurance company, or industrial insured captive insurance company formed or licensed under the Oklahoma Captive Insurance Company Act;

10. "Controlled unaffiliated business" means a company:

a. that is not in the corporate system of a parent and affiliated companies,

b. that has an existing contractual relationship with a parent or affiliated company, and

c. whose risks are managed by a pure captive insurance company in accordance with Section 6470.27 of this title;

11. "Insurance Commissioner" means the Insurance Commissioner of the State of Oklahoma or designee of the Insurance Commissioner;

12. "Department" means the Oklahoma Department of Insurance;

13. "GAAP" means generally accepted accounting principles;

14. "Industrial insured" means an insured:

a. who procures the insurance of any risk or risks by use of the services of a full-time employee acting as an insurance manager or buyer,

b. whose aggregate annual premiums for insurance on all risks total at least Twenty-five Thousand Dollars ($25,000.00), and

c. who has at least twenty-five full-time employees;

15. "Industrial insured captive insurance company" means a company that insures risks of the industrial insureds that comprise the industrial insured group and their affiliated companies;

16. "Industrial insured group" means a group of industrial insureds that collectively directly or indirectly owns, controls, or holds with power to vote all of the outstanding voting securities or other voting interests or has complete control over an industrial insured captive insurance company;

17. "Member organization" means any individual, corporation, partnership, or association that belongs to an association;

18. "Parent" means any corporation, partnership, or individual that directly or indirectly owns, controls, or holds with power to vote more than fifty percent (50%) of the outstanding voting securities of a pure captive insurance company;

19. "Participant" means an entity as defined in Section 6470.31 of this title, and any affiliates of that entity, that are insured by a sponsored captive insurance company, where the losses of the participant are limited through a participant contract to the participant's pro rata share of the assets of one or more protected cells identified in the participant contract;

20. "Participant contract" means a contract by which a sponsored captive insurance company insures the risks of one or more participants and limits the losses of each participant to its pro rata share of the assets of one or more protected cells identified in the participant contract;

21. "Protected cell" means a separate and distinct account established and maintained by or on behalf of a sponsored captive insurance company in which assets are accounted for and recorded for one or more participants in accordance with the terms of one or more participant contracts to fund the liability of the sponsored captive insurance company assumed on behalf of the participants as set forth in the participant contracts;

22. "Pure captive insurance company" means a company that insures risks of its parent, affiliated companies~~,~~ of its parent, and any controlled unaffiliated business, or a combination thereof. For purposes of this paragraph, "controlled unaffiliated business" means an entity insured by a pure captive insurance company:

a. that is not in the corporate system of a parent and affiliated companies,

b. that has an existing contractual relationship with a parent or affiliated company, and

c. whose risks are managed by a pure captive insurance company;

23. "Reciprocal insurer" has the meaning given that term in Article 29 of the Oklahoma Insurance Code;

24. "Risk retention group" means a risk retention group formed pursuant to the Liability Risk Retention Act of 1986 under Section 3901 of Title 15 of the United States Code;

25. "Special purpose captive insurance company" means a captive insurance company that is formed or licensed under the Oklahoma Captive Insurance Company Act that does not meet the definition of any other type of captive insurance company defined in this section and is designated as a special purpose captive insurance company by the Commissioner;

26. "Sponsor" means an entity that meets the requirements of Section 6470.30 of this title and is approved by the Insurance Commissioner to provide all or part of the capital and surplus required by applicable law and to organize and operate a sponsored captive insurance company;

27. "Sponsored captive insurance company" means a captive insurance company:

a. in which the minimum capital and surplus required by applicable law is provided by one or more sponsors,

b. that is formed or licensed under the Oklahoma Captive Insurance Company Act,

c. that insures the risks of its participants only through separate participant contracts, and

d. that funds its liability to each participant through one or more protected cells and segregates the assets of each protected cell from the assets of other protected cells and from the assets of the sponsored captive insurance company's general account; and

28. "Workers' compensation insurance" means insurance provided in satisfaction of an employer's responsibility as set forth in the Administrative Workers' Compensation Act and the Oklahoma Employee Injury Benefit Act.

SECTION 13. AMENDATORY 36 O.S. 2011, Section 6470.3, as amended by Section 15, Chapter 298, O.S.L. 2015 (36 O.S. Supp. 2015, Section 6470.3), is amended to read as follows:

Section 6470.3 A. A captive insurance company, when permitted by its articles of incorporation or charter, may apply to the Insurance Commissioner for a license to do any and all insurance authorized by this title; however:

1. A pure captive insurance company may not insure any risks other than those of its parent, affiliated companies of its parent, or any controlled unaffiliated business, or a combination thereof;

2. An association captive insurance company may not insure any risks other than those of the member organizations of its association and their affiliated companies;

3. An industrial insured captive insurance company may not insure any risks other than those of the industrial insureds that comprise the industrial insured group and their affiliated companies;

4. A special purpose captive insurance company may provide insurance or reinsurance, or both, for risks as approved by the Insurance Commissioner;

5. A captive insurance company may not provide personal motor vehicle or homeowner's insurance coverage or any component of these coverages; and

6. Any captive insurance company may provide workers' compensation insurance, insurance in the nature of workers' compensation insurance, and reinsurance of such policies, unless prohibited by federal law or laws of this state or any other state having jurisdiction over the transaction.

B. To conduct insurance business in this state a captive insurance company shall:

1. Obtain from the Insurance Commissioner a license authorizing it to conduct insurance business in this state;

2. Maintain a place of business in this state designated as its registered office; and

3. Appoint a resident registered agent to accept service of process and to otherwise act on its behalf in this state. Whenever the registered agent cannot with reasonable diligence be found at the registered office of the captive insurance company, the Insurance Commissioner shall be deemed an agent of the captive insurance company upon whom any process, notice, or demand may be served.

C. 1. Before receiving a license, a captive insurance company shall file with the Commissioner a certified copy of its organizational documents, a statement under oath of its president or other authorized person showing its financial condition, a feasibility study, a business plan, and any other statements, information or documents required by the Commissioner.

2. In addition to the information required by paragraph 1 of this subsection, an applicant captive insurance company shall file with the Insurance Commissioner evidence of:

a. the amount and liquidity of its assets relative to the risks to be assumed,

b. the adequacy of the expertise, experience, and character of the person or persons who will manage it,

c. the overall soundness of its plan of operation,

d. the adequacy of the loss prevention programs of its insureds, and

e. such other factors considered relevant by the Insurance Commissioner in ascertaining whether the proposed captive insurance company will be able to meet its obligations.

3. Information submitted pursuant to this subsection is confidential and may not be made public by the Insurance Commissioner or an agent or employee of the Insurance Commissioner without the written consent of the company, except that:

a. information may be discoverable by a party in a civil action or contested case to which the captive insurance company that submitted the information is a party, upon a showing by the party seeking to discover the information that:

(1) the information sought is relevant to and necessary for the furtherance of the action or case,

(2) the information sought is unavailable from other nonconfidential sources, and

(3) a subpoena issued by a judicial or administrative officer of competent jurisdiction has been submitted to the Insurance Commissioner; however, the provisions of this paragraph do not apply to an industrial insured captive insurance company insuring the risks of an industrial insured group, and

b. the Insurance Commissioner may disclose the information to a public officer having jurisdiction over the regulation of insurance in another state if:

(1) the public official agrees in writing to maintain the confidentiality of the information, and

(2) the laws of the state in which the public official serves require the information to be confidential.

D. A captive insurance company shall pay to the Department a nonrefundable application fee of Two Hundred Dollars ($200.00) for reviewing its application to determine whether it is complete and in

addition, the Insurance Commissioner may retain legal, financial, and examination services from outside the Department, the reasonable cost of which may be charged against the applicant. Also, a captive insurance company shall pay a license fee for the year of registration and a renewal fee of Three Hundred Dollars ($300.00).

E. If the Insurance Commissioner is satisfied that the documents and statements filed by the captive insurance company comply with the provisions of the Oklahoma Captive Insurance Company Act, the Insurance Commissioner may grant a license authorizing the company to do insurance business in this state until the succeeding March 1 at which time the license may be renewed.

F. 1. Notwithstanding any other provision of this act, the Insurance Commissioner may issue a provisional license to any applicant captive insurance company for a period not to exceed sixty (60) days if the Insurance Commissioner deems that the public interest will be served by the issuance of such license.

2. As a condition precedent to the issuance of a provisional license under this section, the applicant shall have filed a complete application containing all information required by this section, paid all fees required for licensure and the Insurance Commissioner shall have made a preliminary finding that the expertise, experience and character of the person or persons who will control and manage the applicant captive insurer are acceptable.

3. The Insurance Commissioner may by order limit the authority of any provisional licensee in any way deemed necessary to protect insureds and the public. The Insurance Commissioner may by order revoke a provisional license if the interests of insureds or the public are endangered. If the applicant fails to complete the regular licensure application process, the provisional license shall terminate automatically.

SECTION 14. AMENDATORY 36 O.S. 2011, Section 6670, as last amended by Section 22, Chapter 15, O.S.L. 2013 (36 O.S. Supp. 2015, Section 6670), is amended to read as follows:

Section 6670. As used in this section through Section 6676 of this title:

1. "Commissioner" means the Insurance Commissioner;

2. "Enrolled customer" means a customer who elects coverage under a portable electronics insurance policy issued to a vendor of portable electronics;

3. "Customer" means a person who purchases portable electronics or services;

4. "Location" means any physical location in the State of Oklahoma or any website, call center site, or similar location directed to residents of the State of Oklahoma;

5. "Portable electronics" means electronic devices that are portable in nature, their accessories and services related to the use of the device;

6. "Portable electronics insurance" means insurance providing coverage for the repair or replacement of portable electronics which may provide coverage for portable electronics against any one or more of the following causes of loss: loss, theft, inoperability due to mechanical failure, malfunction, damage or other similar causes of loss. "Portable electronics insurance" does not include:

a. a service contract governed by the Service Warranty Act,

b. a policy of insurance covering a seller's or a manufacturer's obligations under a warranty,

c. a homeowner's, renter's, private passenger automobile, commercial multi-peril, or similar policy, or

d. a contract excluded from the definition of a service warranty as set forth by subparagraphs a through ~~c~~ g of paragraph ~~14~~ 17 of Section ~~6602~~ 141.2 of ~~this title~~ Title 15 of the Oklahoma Statutes;

7. "Portable electronics transaction" means:

a. the sale or lease of portable electronics by a vendor to a customer, or

b. the sale of a service related to the use of portable electronics by a vendor to a customer;

8. "Supervising entity" means a business entity that is a licensed insurer or insurance producer; and

9. "Vendor" means a person in the business of engaging in portable electronics transactions directly or indirectly.

SECTION 15. This act shall become effective November 1, 2016.

Passed the House of Representatives the 23rd day of February, 2016.

_____
Presiding Officer of the House
of Representatives

Passed the Senate the 11th day of April, 2016.

_____
Presiding Officer of the Senate

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____

Approved by the Governor of the State of Oklahoma this _____

day of _____, 20_____, at _____ o'clock _____ M.

_____
Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____