

  
Chairman Phil Mendelson

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8 A BILL  
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13 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA  
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18 To amend Chapter V of the Life Insurance Act of 1934 to require the Commissioner of the  
19 Department of Insurance, Securities and Banking (“DISB”) to annually value the reserves  
20 for life insurance contracts, annuity and pure endowment contracts, accident and health  
21 contracts, and deposit-type contracts based on the standard prescribed in the valuation  
22 manual, to provide the effective date of the valuation manual, to require the valuation  
23 manual to specify minimum valuation standards for and definitions of the policies and  
24 contracts, to determine which policies or contracts shall be subject to the requirements of  
25 the principle-based valuation and provide the requirements for those policies and  
26 contracts, to allow the Commissioner to engage a qualified actuary to examine and opine  
27 on the reserves of a company, to grant the Commissioner the authority to require a  
28 company to adjust their reserves, to require a company to establish reserves using a  
29 principle-based valuation that meets the requirements that are specified in the valuation  
30 manual, to provide that certain information of a company is privileged and confidential,  
31 to allow the Commissioner to share and receive confidential information for enforcement  
32 purposes, to provide definitions for the act, to amend the standard nonforfeiture law to  
33 provide that the policies issued on or after the operative date of the valuation manual  
34 shall use the nonforfeiture interest rate that is provided by the valuation manual; and to  
35 amend the Life Insurance Actuarial Opinion Reserves Act of 1993 to require companies  
36 in accordance to requirements established by the valuation manual to submit an opinion  
37 by an actuary that the companies reserves and related actuarial items for policies and  
38 contracts are computed appropriately.  
39

40 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this  
41 act may be cited as the “Principal-Based Reserves Amendment Act of 2017”.

42 Sec. 2. Chapter V of the Life Insurance Act of 1934, approved June 19, 1934 (48 Stat.  
43 1129; D.C. Official Code § 31-4701 *et seq.*) is amended as follows:

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

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

46 (A) Paragraph (1) is amended as follows:

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

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

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

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

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

61 “(B) The provisions set forth in subsection (c), (d), (e), and (f) of  
62 this section and section 20 of Chapter V of the Life Insurance Act of 1934, approved June 19,  
63 1934 (48 Stat. 1129; D.C. Official Code § 31-4720) shall apply to all policies and contracts, as  
64 appropriate, subject to this section issued on or after the operative date of section 5b of Chapter  
65 V of the Life Insurance Act of 1934, approved June 19, 1934 (48 Stat. 1129; D.C. Official Code  
66 § 31-4705.02) and prior to the operative date of the valuation model. The provisions set forth in  
67 subsection (g) and (h) of this section shall not apply to any such policies and contracts.

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

72 (B) A new paragraph (1A) is added to read as follows:

73 “(1A)(A) The Commissioner shall annually value, or cause to be valued,  
74 the reserve liabilities (hereinafter called reserves) for all outstanding life insurance contracts,  
75 annuity and pure endowment contracts, accident and health contracts, and deposit-type contracts  
76 of every company issued on or after the operative date of the valuation manual.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

102 (D) Paragraph (7) is amended by striking the phrase “be higher than the  
103 corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for  
104 therein.” and inserting the phrase “be greater than the corresponding rate or rates of interest used  
105 in calculating any nonforfeiture benefits provided in the policies or contracts.

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

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

109 “(f) For disability and accident and sickness health insurance policies and  
110 contracts as provided under section 12 of Chapter V of the Life Insurance Act of 1934, approved  
111 June 19, 1934 (48 Stat. 1129; D.C. Official Code § 31-4705.12) and accident and long-time care  
112 health insurance policies and contracts as provided under the Long-Term Care Insurance Act of  
113 1999 (D.C. Law 13-121; D.C. Official Code § 31-3601 *et seq.*), issued on or after the operative  
114 date of section 5b of Chapter V of the Life Insurance Act of 1934, approved June 19, 1934 (48  
115 Stat. 1129; D.C. Official Code § 31-4705.02) and prior to the operative date of the valuation

116 manual, the minimum standard of valuation is the standard adopted by the Commissioner by  
117 regulation. For accident and health insurance policies and contracts issued on or after the  
118 operative date of the valuation manual, the standard prescribed in the valuation manual is the  
119 minimum standard of valuation required under subsection (a)(1A) of this section.

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

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

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

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

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

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

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

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

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

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

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

146 “(iii) Procedures for corporate governance and oversight of  
147 the actuarial function, and a process for appropriate waiver or modification of such procedures;

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

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

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

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

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

163                   “(4) In the absence of a specific valuation requirement or if a specific  
164 valuation requirement in the valuation manual is not, in the opinion of the Commissioner, in  
165 compliance with this section, then the company shall, with respect to such requirements, comply  
166 with minimum valuation standards prescribed by the Commissioner by regulation.

167                   “(5) The Commissioner may engage a qualified actuary, at the expense of  
168 the company, to perform an actuarial examination of the company and opine on the  
169 appropriateness of any reserve assumption or method used by the company, or to review and  
170 opine on a company’s compliance with any requirement set forth in this section or section 9 of  
171 Chapter V of the Life Insurance Act of 1934, approved June 19, 1934 (48 Stat. 1129; D.C.  
172 Official Code § 31-4709). The Commissioner may rely upon the opinion, regarding provisions  
173 contained within this section or section 9 of Chapter V of the Life Insurance Act of 1934,  
174 approved June 19, 1934 (48 Stat. 1129; D.C. Official Code § 31-4709), of a qualified actuary  
175 engaged by the Commissioner of another state, district, or territory of the United States. For the  
176 purposes of this paragraph, the term “engage” includes employment or contracting.

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

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

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

186 the lifetime of the policies and contracts. For polices and contracts with significant tail risk,  
187 reflects conditions appropriately adverse to quantify the tail risk.

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

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

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

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

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

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

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

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

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



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

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

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

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

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

223                   “(A) A memorandum in support of an opinion submitted pursuant  
224 to the Life Insurance Actuarial Opinion of Reserves Act of 1993, effective October 21, 1993  
225 (D.C. Law 10-50; D.C. Official Code § 31-4901) and any other documents, materials and other  
226 information, including, but not limited to, all working papers, and copies thereof, created,  
227 produced or obtained by or disclosed to the Commissioner or any other person in connection  
228 with such memorandum;

229                   “(B) All documents, materials and other information, including,  
230 but not limited to, all working papers, and copies thereof, created, produced or obtained by or  
231 disclosed to the Commissioner or any other person in the course of an examination made under  
232 subsection (g)(7) of this section; provided, that if an examination report or other material

233 prepared in connection with an examination made pursuant to the Law on Examinations Act of  
234 1993, effective October 21, 1993 (D.C. Law 10-49, D.C. Official Code 31-1401 *et seq.*) is not  
235 held as private and confidential information the examination report or other materials prepared in  
236 connection with an examination made under subsection (g)(7) of this section shall not be  
237 confidential information to the same extent as such examination report that had been prepared  
238 pursuant to the Law on Examinations Act of 1993, effective October 21, 1993 (D.C. Law 10-49,  
239 D.C. Official Code 31-1401 *et seq.*).

240                                   “(C) Any reports, documents, materials and other information  
241 developed by a company in support of, or in connection with, an annual certification by the  
242 company pursuant to subsection (h)(2)(B) of this section that evaluates the effectiveness of the  
243 company’s internal controls with respect to a principle-based valuation and any other documents,  
244 materials, and other information, including, but not limited to, all working papers, and copies  
245 thereof, created, produced or obtained by or disclosed to the Commissioner or any other person  
246 in connection with such reports, documents, materials and other information;

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

251                                   “(E) Any documents, materials, data and other information  
252 submitted by a company under subsection (i) of this section and any other documents, materials,  
253 data and other information, including, but not limited to, all working papers, and copies thereof,  
254 created or produced in connection with such experience data, in each case that include any  
255 potentially company-identifying or personally identifiable information, that is provided to or  
256 obtained by the Commissioner and any other documents, materials, data and other information,

257 including, but not limited to, all working papers, and copies thereof, created, produced, or  
258 obtained by or disclosed to the Commissioner or any other person in connection with such  
259 experience materials.

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

262                   “(A) May be subject to subpoena for the purpose of defending an  
263 action seeking damages from the appointed actuary submitting the related memorandum in  
264 support of an opinion submitted pursuant to the Life Insurance Actuarial Opinion of Reserves  
265 Act of 1993, effective October 21, 1993 (D.C. Law 10-50; D.C. Official Code § 31-4901) or  
266 principle-based valuation report developed under subsection (h)(2)(C) of this section by reason  
267 of an action required by this section or by regulations promulgated hereunder;

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

270                   “(C) Shall no longer be confidential once any portion of a  
271 memorandum of support of an opinion submitted pursuant to the Life Insurance Actuarial  
272 Opinion of Reserves Act of 1993, effective October 21, 1993 (D.C. Law 10-50; D.C. Official  
273 Code § 31-4901) or a principle-based valuation report developed under subsection (h)(2)(C) of  
274 this section is cited by the company in its marketing or is publicly volunteered to or before a  
275 governmental agency other than the insurance department of a state or jurisdiction or is released  
276 by the company to the news media.

277                   “(3)(A) Except as provided in this subsection, a company’s confidential  
278 information is confidential by law and privileged, and shall not be subject to Title II of the  
279 District of Columbia Administrative Procedures Act, effective March 25, 1977 (D.C. Law 1-96;  
280 D.C. Official Code § 2-531 *et seq.*); shall not be subject to subpoena and shall not be subject to

281 discovery or admissible in evidence in any private civil action. The Commissioner is authorized  
282 to use the confidential information in the furtherance of any regulatory or legal action brought  
283 against the company as part of the Commissioner's official duties.

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

288                   “(C)(i) In order to assist in the performance of the Commissioner's  
289 duties, the Commissioner may share and receive confidential information from:

290                                   “(I) Other state, federal, and international regulatory  
291 agencies; and

292                                   “(II) The National Association of Insurance  
293 Commissioners and its affiliates and subsidiaries.

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

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

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

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

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

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

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

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

319 “(2) Subsections (c), (d), (e), and (f) of this section and Section 20 of  
320 Chapter V of the Life Insurance Act of 1934, approved June 19, 1934 (48 Stat. 1129; D.C.  
321 Official Code § 31-4720) and the Life Insurance Actuarial Opinion of Reserves Act of 1993,  
322 effective October 21, 1993 (D.C. Law 10-50; D.C. Official Code § 31-4901) shall be still be  
323 applicable to any company that is granted an exemption under this subsection. With respect to  
324 any company applying this exemption, any reference to subsection (g) found in subsections (c),  
325 (d), (e), and (f) of this section and Section 20 of Chapter V of the Life Insurance Act of 1934,  
326 approved June 19, 1934 (48 Stat. 1129; D.C. Official Code § 31-4720) and the Life Insurance  
327 Actuarial Opinion of Reserves Act of 1993, effective October 21, 1993 (D.C. Law 10-50; D.C.  
328 Official Code § 31-4901) shall not be applicable.

329 “(1) For the purposes of this section the following definitions shall apply:

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

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

337 “(3) The term “company” means any entity which:

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

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

345 “(4) The term “deposit-type contract” means contracts that do not  
346 incorporate mortality risk, including annuity and pure endowment contracts, and as may be  
347 specified in the valuation manual.

348 “(5) The term “life insurance” means contracts that incorporate mortality  
349 risk, including annuity and pure endowment contracts, and as may be specified in the valuation  
350 manual.

351 “(6) The term “policyholder behavior” means any action a policyholder,  
352 contract holder or any other person with the right to elect options, such as a certificate holder,

353 may take under a policy or contract subject to this section including, but not limited to, lapse,  
354 withdrawal, transfer, deposit, premium payment, loan, annuitization, or benefit elections  
355 prescribed by the policy or contract but excluding events of mortality or morbidity that result in  
356 benefits prescribed in their essential aspects by the terms of the policy or contract.

357                   “(7) The term “principle-based valuation” means a reserve valuation that  
358 uses one or more methods or one or more assumptions determined by the insurer and is required  
359 to comply with subsection (h) of this section as specified in the valuation manual.

360                   “(8) The term “qualified actuary” means an individual who is qualified to  
361 sign the applicable statement of actuarial opinion in accordance with the American Academy of  
362 Actuaries qualification standards for actuaries signing such statements and who meets the  
363 requirement specified in the valuation manual.

364                   “(9) The term “tail risk” means a risk that occurs either where the  
365 frequency of low probability events is higher than expected under a normal probability  
366 distribution or where there are observed events of very significant size or magnitude.

367                   “(10) The term “valuation manual” means the manual of valuation  
368 instructions adopted by the National Association of Insurance Commissioner as specified in this  
369 section or as subsequently amended.”.

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

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

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

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

374   “(G)(i) For policies issued prior to operative date of the valuation  
375 manual, any Commissioners Standard Ordinary Mortality Tables adopted after 1980 by the  
376 National Association of Insurance Commissioners and by the Commissioner determining the





401 Commissioners Standard Industrial Mortality Table adopted by the National Association of  
402 Insurance Commissioners for use in determining the minimum nonforfeiture standard for  
403 policies or contracts issued on or after the operative date of the valuation manual then that  
404 minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the  
405 valuation manual.”.

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

407 “(17)(A) The nonforfeiture interest rate for policies issued prior to the  
408 operative date of the valuation manual in a particular calendar year shall be equal to 125% of the  
409 calendar year statutory valuation interest rate for the policy, as described in section 1 of Chapter  
410 V of the Life Insurance Act of 1934, approved June 19, 1934 (48 Stat. 1129; D.C. Official Code  
411 § 31-4701), rounded to the nearest 1/4%, provided, that the nonforfeiture interest rate shall not be  
412 less than 4.00%.

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

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

417 “(k) The term “operative date of the valuation manual” means the valuation  
418 manual as defined in section 1 of Chapter V of the Life Insurance Act of 1934, approved June  
419 19, 1934 (48 Stat. 1129; D.C. Official Code § 31-4701).”.

420 (c) Section 20 (D.C. Official Code § 31-4720) is amended by striking the phrase  
421 “contract is less” and inserting the phrase “contract subject to subsection (a)(1) of section 1 of  
422 Chapter V of the Life Insurance Act of 1934, approved June 19, 1934 (48 Stat. 1129; D.C.  
423 Official Code § 31-4701(a)(1)) is less” in its place.

424           Sec. 3. The Life Insurance Actuarial Opinion of Reserves Act of 1993, effective October  
425 21, 1993 (D.C. Law 10-50; D.C. Official Code § 31-4901) is amended as follows:

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

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

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

433           “(c) General requirements and guidelines.

434                   “(1) Every company with outstanding life insurance contracts, accident and health  
435 insurance contracts or deposit-type contracts in the District of Columbia and subject to regulation  
436 by the Mayor shall annually submit the opinion of the appointed actuary as to whether the  
437 reserves and related actuarial items held in support of the policies and contracts are computed  
438 appropriately, are based on assumptions that satisfy contractual provisions, are consistent with  
439 prior reported amounts and comply with applicable laws of the District of Columbia. The  
440 valuation manual will prescribe the specifics of this opinion including any items deemed to be  
441 necessary to its scope.

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

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

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

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

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

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

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

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

467           “Every company with outstanding life insurance contracts, accident and health insurance  
468 contracts or deposit-type contracts in the District of Columbia and subject to regulation by the  
469 Mayor, except as exempted in the valuation manual, shall also annually include in the opinion  
470 required by section (c)(1) of this section, an opinion of the same appointed actuary as to whether

471 the reserves and related actuarial items held in support of the policies and contracts specified in  
472 the valuation manual, when considered in light of the assets held by the company with respect to  
473 the reserves and related actuarial items, including but not limited to the investment earnings on  
474 the assets and the considerations anticipated to be received and retained under the policies and  
475 contracts, make adequate provision for the company's obligation under the policies and  
476 contracts, including but not limited to the benefits under and expenses associated with the  
477 policies and contracts.

478           “(e) For the purposes of this section the following definitions apply.

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

482                   “(2) The term “appointed actuary” means a qualified actuary who is appointed in  
483 accordance with the valuation manual to prepare the actuarial opinion required under subsections  
484 (c) and (d) of this section.

485                   “(3) The term “company” means an entity which:

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

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

493           “(4) The term “deposit-type contract” means contracts that do not incorporate  
494 mortality risk, including annuity and pure endowment contracts, and as may be specified in the  
495 valuation manual.

496           “(5) The term “life insurance” means contracts that incorporate mortality risk,  
497 including annuity and pure endowment contracts, and as may be specified in the valuation  
498 manual.

499           “(6) The term “qualified actuary” means an individual who is qualified to sign the  
500 applicable statement of actuarial opinion in accordance with the American Academy of Actuaries  
501 qualification standards for actuaries signing such statements and who meets the requirement  
502 specified in the valuation manual.

503           “(7) The term “valuation manual” means the manual of valuation instructions  
504 adopted by the National Association of Insurance Commissioner as specified in section 1 of  
505 Chapter V of the Life Insurance Act of 1934, approved June 19, 1934 (48 Stat. 1129; D.C.  
506 Official Code § 31-4701) or as subsequently amended.”.

507           Sec. 4. Fiscal impact statement.

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

511           Sec. 5. Effective date.

512           This act shall take effect following approval by the Mayor (or in the event of veto by the  
513 Mayor, action by the Council to override the veto), a 30-day period of Congressional review as  
514 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December  
515 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of  
516 Columbia Register.