

1 AN ACT concerning insurance.

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

4 Section 5. The Illinois Insurance Code is amended by
5 changing Sections 223 and 531.09 as follows:

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

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

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

1 lieu of the valuation of the reserves herein required of any
2 foreign or alien company, he may accept any valuation made, or
3 caused to be made, by the insurance supervisory official of any
4 state or other jurisdiction when such valuation complies with
5 the minimum standard herein provided and if the official of
6 such state or jurisdiction accepts as sufficient and valid for
7 all legal purposes the certificate of valuation of the Director
8 when such certificate states the valuation to have been made in
9 a specified manner according to which the aggregate reserves
10 would be at least as large as if they had been computed in the
11 manner prescribed by the law of that state or jurisdiction.

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

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

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

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

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

15 (A) General.

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

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

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

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

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

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

24 (7) Except in cases of fraud or willful misconduct,
25 the qualified actuary shall not be liable for damages
26 to any person (other than the insurance company and the

1 Director) for any act, error, omission, decision or
2 conduct with respect to the actuary's opinion.

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

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

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

20 (11) Any memorandum in support of the opinion, and
21 any other material provided by the company to the
22 Director in connection therewith, shall be kept
23 confidential by the Director and shall not be made
24 public and shall not be subject to subpoena, other than
25 for the purpose of defending an action seeking damages
26 from any person by reason of any action required by

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

17 (B) Actuarial analysis of reserves and assets
18 supporting those reserves.

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

1 company with respect to the reserves and related
2 actuarial items including, but not limited to, the
3 investment earnings on the assets and the
4 considerations anticipated to be received and retained
5 under the policies and contracts, make adequate
6 provision for the company's obligations under the
7 policies and contracts including, but not limited to,
8 the benefits under and expenses associated with the
9 policies and contracts.

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

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

17 (a) Except as otherwise in this Article provided, the
18 legal minimum standard for valuation of contracts issued
19 before January 1, 1908, shall be the Actuaries or Combined
20 Experience Table of Mortality with interest at 4% per annum
21 and for valuation of contracts issued on or after that date
22 shall be the American Experience Table of Mortality with
23 either Craig's or Buttolph's Extension for ages under 10
24 and with interest at 3 1/2% per annum. The legal minimum
25 standard for the valuation of group insurance policies
26 under which premium rates are not guaranteed for a period

1 in excess of 5 years shall be the American Men Ultimate
2 Table of Mortality with interest at 3 1/2% per annum. Any
3 life company may, at its option, value its insurance
4 contracts issued on or after January 1, 1938, in accordance
5 with their terms on the basis of the American Men Ultimate
6 Table of Mortality with interest not higher than 3 1/2% per
7 annum.

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

24 (i) first insurance year 50% thereof;

25 (ii) second insurance year 65% thereof;

26 (iii) third insurance year 75% thereof;

1 (iv) fourth insurance year 85% thereof;

2 (v) fifth insurance year 95% thereof;

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

24 (d) The legal minimum standard for the valuations of
25 annuities issued on and after January 1, 1938, shall be the
26 American Annuitant's Table with interest not higher than 3

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

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

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

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

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

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

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

1 after September 8, 1977, and the following tables:

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

1 ordinary mortality table adopted after 1980 by the
2 National Association of Insurance Commissioners and
3 approved by regulations promulgated by the Director
4 for use in determining the minimum standard of
5 valuation for such policies.

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

20 (iii) For Individual Annuity and Pure Endowment
21 contracts, excluding any disability and accidental
22 death benefits in such policies--the 1937 Standard
23 Annuity Mortality Table--or, at the option of the
24 company, the Annuity Mortality Table for 1949,
25 Ultimate, or any modification of either of these tables
26 approved by the Director.

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

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

1 table permitted for calculating the reserves for life
2 insurance policies.

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

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

23 (b) Except as otherwise provided in paragraph (f) of
24 subsection (3), subsection (5), and subsection (7)
25 reserves according to the Commissioners reserve valuation
26 method, for the life insurance and endowment benefits of

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

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

24 (B) A net one year term premium for such benefits
25 provided for in the first policy year.

26 For any life insurance policy issued on or after

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

1 bases stated in paragraph (a) of subsection (3) and in
2 subsection 6 shall be used.

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

23 (c) In no event shall a company's aggregate reserves
24 for all life insurance policies, excluding disability and
25 accidental death benefits be less than the aggregate
26 reserves calculated in accordance with the methods set

1 forth in paragraphs (b), (f), and (g) of subsection (3) and
2 in subsection (5) and the mortality table or tables and
3 rate or rates of interest used in calculating
4 non-forfeiture benefits for such policies.

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

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

20 (f) If in any contract year the gross premium charged
21 by any life insurance company on any policy or contract is
22 less than the valuation net premium for the policy or
23 contract calculated by the method used in calculating the
24 reserve thereon but using the minimum valuation standards
25 of mortality and rate of interest, the minimum reserve
26 required for such policy or contract shall be the greater

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

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

1 (3), including the second paragraph of said paragraph (b),
2 and the minimum reserve calculated in accordance with this
3 paragraph (f).

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

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

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

18 (4) Except as provided in subsection (6), the minimum
19 standard for the valuation of all individual annuity and pure
20 endowment contracts issued on or after the operative date of
21 this subsection, as defined herein, and for all annuities and
22 pure endowments purchased on or after such operative date under
23 group annuity and pure endowment contracts shall be the
24 Commissioners Reserve valuation methods defined in paragraph
25 (b) of subsection (3) and subsection (5) and the following
26 tables and interest rates:

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

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

23 (c) For all annuities and pure endowments purchased
24 under group annuity and pure endowment contracts,
25 excluding any disability and accidental death benefits
26 purchased under such contracts, the 1971 Group Annuity

1 Mortality Table, any group annuity mortality table adopted
2 after 1980 by the National Association of Insurance
3 Commissioners and approved by regulations promulgated by
4 the Director for use in determining the minimum standard of
5 valuation for such annuities and pure endowments, or any
6 modification of those tables approved by the Director, and
7 7 1/2% interest.

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

18 (5) This subsection shall apply to all annuity and pure
19 endowment contracts other than group annuity and pure endowment
20 contracts purchased under a retirement plan or plan of deferred
21 compensation, established or maintained by an employer
22 (including a partnership or sole proprietorship) or by an
23 employee organization, or by both, other than a plan providing
24 individual retirement accounts or individual retirement
25 annuities under Section 408 of the Internal Revenue Code, as
26 now or hereafter amended.

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

19 (6) (a) Applicability of this subsection. (i) The interest
20 rates used in determining the minimum standard for the
21 valuation of

22 (A) all life insurance policies issued in a
23 particular calendar year, on or after the operative
24 date of subsection (4c) of Section 229.2 (Standard
25 Nonforfeiture Law),

26 (B) all individual annuity and pure endowment

1 contracts issued in a particular calendar year ending
2 on or after December 31, 1983,

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

7 (D) the net increase in a particular calendar year
8 ending after December 31, 1983, in amounts held under
9 guaranteed interest contracts

10 shall be the calendar year statutory valuation interest
11 rates, as defined in this subsection.

12 (b) Calendar Year Statutory Valuation Interest Rates.

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

16 (A) For life insurance,

17
$$I = .03 + W (R1 - .03) + W/2 (R2 - .09).$$

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

23
$$I = .03 + W (R - .03)$$
 or with prior approval of
24 the Director
$$I = .03 + W (Rq - .03).$$

25 For the purposes of this subparagraph (i), "I"
26 equals the calendar year statutory valuation interest

1 rate, "R" is the reference interest rate defined in
2 this subsection, "R1" is the lesser of R and .09, "R2"
3 is the greater of R and .09, "Rq" is the quarterly
4 reference interest rate defined in this subsection,
5 and "W" is the weighting factor defined in this
6 subsection.

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

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

23 (E) For other annuities with cash settlement
24 options and guaranteed interest contracts with
25 cash settlement options, valued on a change in fund
26 basis, the formula for single premium immediate

1 annuities stated in (B) applies.

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

19 (c) Weighting Factors.

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

23 (A) Weighting Factors for Life Insurance.

24 Guarantee	Weighting
25 Duration	Factors
26 (Years)	

1	10 or less	.50
2	More than 10, but not more than 20	.45
3	More than 20	.35

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

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

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

24 (1) For annuities and guaranteed interest
 25 contracts valued on an issue year basis.

26 Guarantee	Weighting Factor
-----------------	------------------

Duration	for Plan Type		
(Years)	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

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

13 (3) For annuities and guaranteed interest
14 contracts valued on an issue year basis, other than
15 those with no cash settlement options, which do not
16 guarantee interest on considerations received more
17 than one year after issue or purchase, and for
18 annuities and guaranteed interest contracts valued
19 on a change in fund basis which do not guarantee
20 interest rates on considerations received more
21 than 12 months beyond the valuation date, the
22 factors shown in (1), or derived in (2), for Plan
23 Types A, B and C are increased by .05.

24 (4) For other annuities with cash settlement
25 options and guaranteed interest contracts with
26 cash settlement options, the guarantee duration is

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

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

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

22 Plan Type B is a plan under which the
23 policyholder may not withdraw funds before
24 expiration of the interest rate guarantee, or may
25 withdraw funds before such expiration but only (a)
26 with an adjustment to reflect changes in interest

1 rates or asset values since receipt of the funds by
2 the insurance company, or (b) without such
3 adjustment but in installments over 5 years or
4 more. At the end of the interest rate guarantee,
5 funds may be withdrawn without such adjustment in a
6 single sum or installments over less than 5 years.

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

16 (6) A company may elect to value guaranteed
17 interest contracts with cash settlement options
18 and annuities with cash settlement options on
19 either an issue year basis or on a change in fund
20 basis. Guaranteed interest contracts with no cash
21 settlement options and other annuities with no
22 cash settlement options shall be valued on an issue
23 year basis. As used in this Section, "issue year
24 basis of valuation" refers to a valuation basis
25 under which the interest rate used to determine the
26 minimum valuation standard for the entire duration

1 of the annuity or guaranteed interest contract is
2 the calendar year valuation interest rate for the
3 year of issue or year of purchase of the annuity or
4 guaranteed interest contract. "Change in fund
5 basis of valuation", as used in this Section,
6 refers to a valuation basis under which the
7 interest rate used to determine the minimum
8 valuation standard applicable to each change in
9 the fund held under the annuity or guaranteed
10 interest contract is the calendar year valuation
11 interest rate for the year of the change in the
12 fund.

13 (d) Reference Interest Rate. (i) The reference
14 interest rate referred to in paragraph (b) of this
15 subsection is defined as follows.

16 (A) For all life insurance, the reference interest
17 rate is the lesser of the average over a period of 36
18 months, and the average over a period of 12 months,
19 with both periods ending on June 30, or with prior
20 approval of the Director ending on December 31, of the
21 calendar year next preceding the year of issue, of
22 Moody's Corporate Bond Yield Average - Monthly Average
23 Corporates, as published by Moody's Investors Service,
24 Inc.

25 (B) For single premium immediate annuities and for
26 annuity benefits involving life contingencies arising

1 from other annuities with cash settlement options and
2 guaranteed interest contracts with cash settlement
3 options, the reference interest rate is the average
4 over a period of 12 months, ending on June 30, or with
5 prior approval of the Director ending on December 31,
6 of the calendar year of issue or year of purchase, of
7 Moody's Corporate Bond Yield Average - Monthly Average
8 Corporates, as published by Moody's Investors Service,
9 Inc.

10 (C) For annuities with cash settlement options and
11 guaranteed interest contracts with cash settlement
12 options, valued on a year of issue basis, except those
13 described in (B), with guarantee durations in excess of
14 10 years, the reference interest rate is the lesser of
15 the average over a period of 36 months and the average
16 over a period of 12 months, ending on June 30, or with
17 prior approval of the Director ending on December 31,
18 of the calendar year of issue or purchase, of Moody's
19 Corporate Bond Yield Average-Monthly Average
20 Corporates, as published by Moody's Investors Service,
21 Inc.

22 (D) For other annuities with cash settlement
23 options and guaranteed interest contracts with cash
24 settlement options, valued on a year of issue basis,
25 except those described in (B), with guarantee
26 durations of 10 years or less, the reference interest

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

7 (E) For annuities with no cash settlement options
8 and for guaranteed interest contracts with no cash
9 settlement options, the reference interest rate is the
10 average over a period of 12 months, ending on June 30,
11 or with prior approval of the Director ending on
12 December 31, of the calendar year of issue or purchase,
13 of Moody's Corporate Bond Yield Average-Monthly
14 Average Corporates, as published by Moody's Investors
15 Service, Inc.

16 (F) For annuities with cash settlement options and
17 guaranteed interest contracts with cash settlement
18 options, valued on a change in fund basis, except those
19 described in (B), the reference interest rate is the
20 average over a period of 12 months, ending on June 30,
21 or with prior approval of the Director ending on
22 December 31, of the calendar year of the change in the
23 fund, of Moody's Corporate Bond Yield Average-Monthly
24 Average Corporates, as published by Moody's Investors
25 Service, Inc.

26 (G) For annuities valued by a formula based on R_q ,

1 the quarterly reference interest rate is, with the
2 prior approval of the Director, the average within each
3 of the 4 consecutive calendar year quarters ending on
4 March 31, June 30, September 30 and December 31 of the
5 calendar year of issue or year of purchase of Moody's
6 Corporate Bond Yield Average-Monthly Average
7 Corporates, as published by Moody's Investors Service,
8 Inc.

9 (e) Alternative Method for Determining Reference
10 Interest Rates. In the event that the Moody's Corporate
11 Bond Yield Average-Monthly Average Corporates is no longer
12 published by Moody's Investors Services, Inc., or in the
13 event that the National Association of Insurance
14 Commissioners determines that Moody's Corporate Bond Yield
15 Average-Monthly Average Corporates as published by Moody's
16 Investors Service, Inc. is no longer appropriate for the
17 determination of the reference interest rate, then an
18 alternative method for determination of the reference
19 interest rate, which is adopted by the National Association
20 of Insurance Commissioners and approved by regulations
21 promulgated by the Director, may be substituted.

22 (7) Minimum Standards for Health (Disability, Accident and
23 Sickness) Plans. The Director shall promulgate a regulation
24 containing the minimum standards applicable to the valuation of
25 health (disability, sickness and accident) plans.

26 (Source: P.A. 91-357, eff. 7-29-99.)

1 (215 ILCS 5/531.09) (from Ch. 73, par. 1065.80-9)

2 Sec. 531.09. Assessments.

3 (1) For the purpose of providing the funds necessary to
4 carry out the powers and duties of the Association, the board
5 of directors shall assess the member insurers, separately for
6 each account, at such times and for such amounts as the board
7 finds necessary. Assessments shall be due not less than 30 days
8 after written notice to the member insurers and shall accrue
9 interest from the due date at such adjusted rate as is
10 established under Section 6621 of Chapter 26 of the United
11 States Code and such interest shall be compounded daily.

12 (2) There shall be 2 classes of assessments, as follows:

13 (a) Class A assessments shall be made for the purpose
14 of meeting administrative costs and other general expenses
15 and examinations conducted under the authority of the
16 Director under subsection (5) of Section 531.12.

17 (b) Class B assessments shall be made to the extent
18 necessary to carry out the powers and duties of the
19 Association under Section 531.08 with regard to an impaired
20 or insolvent domestic insurer or insolvent foreign or alien
21 insurers.

22 (3) (a) The amount of any Class A assessment shall be
23 determined at the discretion of the board of directors ~~by the~~
24 ~~Board~~ and such assessments shall ~~may~~ be authorized and called
25 ~~made~~ on a non-pro rata basis. ~~Such assessments shall not exceed~~

1 ~~\$200 per company in any one calendar year.~~ The amount of any
2 Class B assessment shall be allocated for assessment purposes
3 among the accounts and subaccounts pursuant to an allocation
4 formula which may be based on the premiums or reserves of the
5 impaired or insolvent insurer or any other standard deemed by
6 the board in its sole discretion as being fair and reasonable
7 under the circumstances.

8 (b) Class B assessments against member insurers for
9 each account and subaccount shall be in the proportion that
10 the premiums received on business in this State by each
11 assessed member insurer on policies or contracts covered by
12 each account or subaccount for the three most recent
13 calendar years for which information is available
14 preceding the year in which the insurer became impaired or
15 insolvent, as the case may be, bears to such premiums
16 received on business in this State for such calendar years
17 by all assessed member insurers.

18 (c) Assessments for funds to meet the requirements of
19 the Association with respect to an impaired or insolvent
20 insurer shall not be made until necessary to implement the
21 purposes of this Article. Classification of assessments
22 under subsection (2) and computations of assessments under
23 this subsection shall be made with a reasonable degree of
24 accuracy, recognizing that exact determinations may not
25 always be possible.

26 (4) The Association may abate or defer, in whole or in

1 part, the assessment of a member insurer if, in the opinion of
2 the board, payment of the assessment would endanger the ability
3 of the member insurer to fulfill its contractual obligations.
4 The total of all assessments upon a member insurer for the life
5 and annuity account and for each subaccount thereunder may not
6 in any one calendar year exceed 2% and for the health account
7 may not in any one calendar year exceed 2% of such insurer's
8 average premiums received in this State on the policies and
9 contracts covered by the account or subaccount during the three
10 calendar years preceding the year in which the insurer became
11 an impaired or insolvent insurer. If a one percent assessment
12 for any subaccount of the life and annuity account in any one
13 year does not provide an amount sufficient to carry out the
14 responsibilities of the Association, then pursuant to
15 subsection 3(b), the board shall access all subaccounts of the
16 life and annuity account for the necessary additional amount,
17 subject to the maximum stated in this subsection.

18 (5) In the event an assessment against a member insurer is
19 abated, or deferred, in whole or in part, because of the
20 limitations set forth in subsection (4) of this Section the
21 amount by which such assessment is abated or deferred, may be
22 assessed against the other member insurers in a manner
23 consistent with the basis for assessments set forth in this
24 Section. If the maximum assessment, together with the other
25 assets of the Association in either account, does not provide
26 in any one year in either account an amount sufficient to carry

1 out the responsibilities of the Association, the necessary
2 additional funds may be assessed as soon thereafter as
3 permitted by this Article. The board may provide in the plan of
4 operation a method of allocating funds among claims, whether
5 relating to one or more impaired or insolvent insurers, when
6 the maximum assessment will be insufficient to cover
7 anticipated claims.

8 (6) The board may, by an equitable method as established in
9 the plan of operation, refund to member insurers, in proportion
10 to the contribution of each insurer to that account, the amount
11 by which the assets of the account exceed the amount the board
12 finds is necessary to carry out during the coming year the
13 obligations of the Association with regard to that account,
14 including assets accruing from net realized gains and income
15 from investments. A reasonable amount may be retained in any
16 account to provide funds for the continuing expenses of the
17 Association and for future losses if refunds are impractical.

18 (7) An assessment is deemed to occur on the date upon which
19 the board votes such assessment. The board may defer calling
20 the payment of the assessment or may call for payment in one or
21 more installments.

22 (8) It is proper for any member insurer, in determining its
23 premium rates and policyowner dividends as to any kind of
24 insurance within the scope of this Article, to consider the
25 amount reasonably necessary to meet its assessment obligations
26 under this Article.

1 (9) The Association must issue to each insurer paying a
2 Class B assessment under this Article a certificate of
3 contribution, in a form acceptable to the Director, for the
4 amount of the assessment so paid. All outstanding certificates
5 are of equal dignity and priority without reference to amounts
6 or dates of issue. A certificate of contribution may be shown
7 by the insurer in its financial statement as an asset in such
8 form and for such amount, if any, and period of time as the
9 Director may approve, provided the insurer shall in any event
10 at its option have the right to show a certificate of
11 contribution as an admitted asset at percentages of the
12 original face amount for calendar years as follows:

13 100% for the calendar year after the year of issuance;

14 80% for the second calendar year after the year of
15 issuance;

16 60% for the third calendar year after the year of issuance;

17 40% for the fourth calendar year after the year of
18 issuance;

19 20% for the fifth calendar year after the year of issuance.

20 (Source: P.A. 86-753.)