FIRST REGULAR SESSION

[TRULY AGREED TO AND FINALLY PASSED]

HOUSE COMMITTEE SUBSTITUTE FOR

SENATE BILL NO. 164

98TH GENERAL ASSEMBLY

2015

0344H.03T

AN ACT

To repeal sections 375.534, 375.1070, 375.1072, 376.370, 376.380, 376.670, 456.950, and 513.430, RSMo, and to enact in lieu thereof twelve new sections relating to financial transactions.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Sections 375.534, 375.1070, 375.1072, 376.370, 376.380, 376.670, 456.950, and 513.430, RSMo, are repealed and twelve new sections enacted in lieu thereof, to be known as sections 375.534, 375.1070, 375.1072, 375.1074, 375.1078, 376.365, 376.370, 376.380, 376.670, 456.950, 456.1-113, and 513.430, to read as follows:

375.534. 1. In addition to other foreign investments permitted by Missouri law for the type or kind of insurance company involved, the capital, reserves and surplus of all insurance companies of whatever kind and character organized under the laws of this state, having admitted assets of not less than one hundred million dollars, may be invested in securities, investments and deposits issued, guaranteed or assumed by a foreign government or foreign corporation, or located in a foreign country, whether denominated in United States dollars or in foreign currency, subject to the following conditions:

(1) Such securities, investments and deposits shall be of substantially the same kind, class and quality of like United States investments eligible for investment by an insurance company under Missouri law;

(2) An insurance company shall not invest or deposit in the aggregate more than [five] **twenty** percent of its admitted assets under this section, except that an

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

insurance company may reinvest or redeposit any income or profits generated by investments permitted under this section; **[**and**]**

(3) **The aggregate amount of foreign investments then held by the insurer under this subsection in a single foreign jurisdiction shall not exceed ten percent of its admitted assets as to a foreign jurisdiction that has a sovereign debt rating of SVO "1" or five percent of its admitted assets as to any other foreign jurisdiction; and**

(4) Such securities, investments and deposits shall be aggregated with United States investments of the same class in determining compliance with percentage limitations imposed under Missouri law for investments in that class for the type or kind of insurance company involved.

2. This section shall not apply to an insurer organized under chapter 376.

375.1070. **[**1. Sections 375.1070 to 375.1075 may be cited as the "Investments in Medium and Lower Quality Obligations Law".

2.**]** Sections 375.1070 to **[**375.1075**]** **375.1078** shall not apply to an insurer organized under chapter 376.

375.1072. As used in sections 375.1070 to **[**375.1075**]** **375.1078**, the following terms mean:

(1) "Admitted assets", the amount thereof as of the last day of the most recently concluded annual statement year, computed in the same manner as admitted assets in section 379.080 for insurers other than life;

(2) "Aggregate amount of medium to lower quality obligations", the aggregate statutory statement value thereof;

(3) "Institution", a corporation, a joint-stock company, an association, a trust, a business partnership, a business joint venture or similar entity;

(4) "Medium to lower quality obligations", obligations which are rated three, four, five and six by the Securities Valuation Office of the National Association of Insurance Commissioners.

375.1074. Except as otherwise specified by Missouri law, no domestic insurer shall acquire an investment directly or indirectly through an investment subsidiary if, as a result of and after giving effect to the investment, the insurer would hold more than five percent of its admitted assets in the investments of all kinds issued, assumed, accepted, insured, or guaranteed by a single person.

375.1078. 1. No insurer shall acquire, directly or indirectly through an investment subsidiary, a Canadian investment otherwise permitted

under Missouri law if, after giving effect to the investment, the aggregate amount of the investments then held by the insurer would exceed twenty-five percent of its admitted assets.

2. For any insurer that is authorized to do business in Canada or that has outstanding insurance, annuity, or reinsurance contracts on lives or risks resident or located in Canada and denominated in Canadian currency, the limitations of subsection 1 of this section shall be increased by the greater of:

(1) The amount the insurer is required by applicable Canadian law to invest in Canada or to be denominated in Canadian currency; or

(2) One hundred twenty-five percent of the amount of the insurer's reserves and other obligations under contracts on risks resident or located in Canada.

376.365. 1. Sections 376.365 to 376.380 shall be known and may be cited as the "Standard Valuation Law".

2. As used in sections 376.365 to 376.380, the following terms shall mean and apply on or after the operative date of the valuation manual:

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

(2) "Appointed actuary", a qualified actuary who is appointed in accordance with the valuation manual to prepare the actuarial opinion required under subsection 5 of section 376.380;

(3) "Company", an entity which has written, issued, or reinsured life insurance contracts, accident and health insurance contracts, or deposit-type contracts:

(a) In Missouri and has at least one such policy in force or on claim; or

(b) In any state and is required to hold a certificate of authority to write life insurance, accident and health insurance, or deposit-type contracts in Missouri;

(4) "Deposit-type contract", a contract that does not incorporate mortality or morbidity risks and as may be specified in the valuation manual;

(5) "Life insurance", contracts that incorporate mortality risk

including annuity and pure endowment contracts and as may be specified in the valuation manual;

(6) "NAIC", the National Association of Insurance Commissioners;

(7) "Operative date of the valuation manual", January first of the first calendar year that the valuation manual is effective, as described in subdivision (2) of subsection 6 of section 376.380;

(8) "Policyholder behavior", any action a policyholder, contract holder, or any other person with the right to elect options, such as a certificate holder, may take under a policy or contract subject to sections 376.365 to 376.380 including, but not limited to, lapse, withdrawal, transfer, deposit, premium payment, loan, annuitization, or benefit elections prescribed by the policy or contract but excluding events of mortality or morbidity that result in benefits prescribed in their essential aspects by the terms of the policy or contract;

(9) "Principle-based valuation", a reserve valuation that uses one or more methods or one or more assumptions determined by the insurer and is required to comply with subsection 7 of section 376.380 as specified in the valuation manual;

(10) "Qualified actuary", an individual who is qualified to sign the applicable statement of actuarial opinion in accordance with the American Academy of Actuaries qualification standards for actuaries signing such statements and who meets the requirements specified in the valuation manual;

(11) "Tail risk", a risk that occurs either if the frequency of low probability events is higher than expected under a normal probability distribution or if there are observed events of very significant size or magnitude;

(12) "Valuation manual", the manual of valuation instructions adopted by the NAIC as specified in sections 376.365 to 376.380.

376.370. 1. **(1)** The director of the department of insurance, financial institutions and professional registration shall annually value, or cause to be valued, the reserve liabilities, herein called "reserves", for all outstanding life insurance policies and **[**annuities**]** **annuity** and pure endowment contracts of every life insurance company doing business in this state**[**, and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest and methods, net level premium method or other, used in the calculation of such reserves**]**

issued on or after the operative date provided in subsection 20 of section 376.670 and prior to the operative date of the valuation manual. In calculating such reserves, [he] **the director** may use group methods and approximate averages for fractions of a year or otherwise. In lieu of the valuation of the reserves herein required of any foreign or alien company, [he] **the director** may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided [and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the director when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction].

(2) The provisions of subsection 3 of this section and subsections 1 to 3 of section 376.380 shall apply to all policies and contracts, as appropriate, issued on or after the operative date provided in subsection 20 of section 376.670 and prior to the operative date of the valuation manual, and the provisions of subsections 6 and 7 of section 376.380 shall not apply to such policies and contracts.

(3) The minimum standard for the valuation of policies and contracts issued prior to the operative date provided in subsection 20 of section 376.670 shall be that provided by the laws in effect immediately prior to the operative date provided in subsection 20 of section 376.670.

2. (1) The director shall annually value or caused to be valued the reserves for all outstanding life insurance contracts, annuity and pure endowment contracts, accident and health insurance contracts, and deposit-type contracts of every company issued on or after the operative date of the valuation manual. In lieu of the valuation of the reserves herein required of any foreign or alien company, the director may accept any valuation made or caused to be made by the insurance supervisory official of any state or other jurisdiction if such valuation complies with the minimum standard provided herein.

(2) The provisions of subsections 6 and 7 of section 376.380 shall apply to all policies and contracts issued on or after the operative date of the valuation manual.

[2.] **3.** Reserves for all policies and contracts issued prior to August 28, 1993, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by the laws in effect immediately prior to such date. Reserves for any category of policies, contracts or benefits as established by the director, issued on or after August 28, 1993, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided therein. Any such company which at any time shall have adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the director, adopt any lower standard of valuation, but not lower than the minimum herein provided; however, for purposes of this subsection, the holding of additional reserves previously determined by a qualified actuary to be necessary to render the opinion required by **[**subsection 4**]** **subsections 4 and 5** of section 376.380 shall not be deemed to be the adoption of a higher standard of valuation.

376.380. 1. The legal minimum standard for valuation of policies and contracts and the reserves to be maintained thereon shall be as follows:

(1) For those policies and contracts issued prior to the operative date provided in subsection **[**14**]** **20** of section 376.670:

(a) Except as otherwise provided in subdivision (3) of this subsection, the legal minimum standard for valuation of policies of life insurance or annuity contracts issued prior to April 13, 1934, shall be the Actuaries' or Combined Experience Table of Mortality, with interest at the rate of five percent per annum for group annuity contracts and four percent per annum for all other policies and contracts; and for policies of life insurance and annuity contracts issued on and after April 13, 1934, such minimum standard shall be the American Experience Table of Mortality with interest at the rate of five percent per annum for group annuity contracts and three and one-half percent per annum for all other policies and contracts;

(b) The director may vary the legal minimum standards of interest and mortality for annuity contracts and in particular cases of invalid or substandard lives and other extra hazards, and shall have the right and authority to designate the legal minimum standard for valuation of total and permanent disability benefits and additional accidental death benefits;

(c) Policies issued by companies doing business in this state may provide for not more than one year preliminary term insurance by incorporating in the provisions thereof, specifying the premium consideration to be received, a clause plainly showing that the first year's insurance under such policies is term insurance, purchased by the whole or a part of the premium to be received during the first policy year and shall be valued accordingly; provided, that if the premium charged for term insurance under a limited payment life preliminary term policy providing for the payment of all premiums thereon in less than twenty years from the date of the policy, or under an endowment preliminary term policy, exceeds that charged for life insurance twenty payment life preliminary term policies of the same company, the reserve thereon at the end of any year, including the first, shall not be less than the reserve on a twenty payment life preliminary term policy issued in the same year and at the same age, together with an amount which shall be equivalent to the accumulation of a net level premium sufficient to provide for a pure endowment at the end of the premium payment period equal to the difference between the value at the end of such period of such twenty payment life preliminary term policy and the full reserve at such time of such a limited payment life or endowment policy. The premium payment period is the period during which premiums are concurrently payable under such twenty payment life preliminary term policy and such limited payment life or endowment policy;

(d) Reserves for all such policies and contracts may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by subdivision (1) of this subsection. In the case of policy obligations of an insolvent life insurance company assumed or reinsured in bulk by an insurance company upon a basis requiring a separate accounting of the business and assets of such insolvent company and an application of any part of the earnings therefrom upon obligations which are not implicit in the original terms of the policies or contracts assumed or reinsured, the director, in order to protect all policyholders of the reinsuring company, including the holders of all policies so assumed or reinsured, and to safeguard the future solvency of such reinsuring company, shall have the right and authority to designate standards of valuation for such reinsured policies and contracts which will produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by subdivision (1) of this subsection or the terms and provisions of the policies and contracts so assumed or reinsured, and, in such event, such reinsuring company shall not, thereafter, adopt any lower standards of valuation without the approval of the director.

(2) For those policies and contracts issued on or after the operative date provided in subsection [14] **20** of section 376.670:

(a) Except as otherwise provided in subdivision (3) of this subsection and subsection 2 of this section, the minimum standard for the valuation of all such policies and contracts shall be the commissioners reserve valuation methods defined in paragraphs (b), (c), (d), (e), and (h) of this subdivision, three and one-half percent interest on all such policies and contracts except those contracts specified in subparagraph c. of **this** paragraph [(a) of this subdivision] which consist of single premium annuity contracts and in subparagraph d. of **this** paragraph [(a) of this subdivision] which consists of group annuity contracts where the interest rate shall be five percent, and except policies and contracts, other than annuity and pure endowment contracts, issued on or after September 28, 1975, where the interest rate shall be four percent interest for such policies issued prior to September 28, 1979, and four and one-half percent interest for such policies issued on or after September 28, 1979, and the following tables:

a. For all ordinary policies of life insurance issued prior to the operative date provided in subsection [10] **12** of section 376.670 on the standard basis, excluding any disability and accidental death benefits in such policies, the Commissioners 1941 Standard Ordinary Mortality Table, and for such policies issued on or after the operative date provided in subsection [10] **12** of section 376.670, and prior to the operative date of subsection [10b] **14** of section 376.670, the Commissioners 1958 Standard Ordinary Mortality Table; provided that for any category of such policies issued on or after September 28, 1979, on female risks all modified net premiums and present values referred to in this section may be calculated according to an age not more than six years younger than the actual age of the insured; and for such policies issued on or after the operative date of subsection [10b] **14** of section 376.670:

i. The Commissioners 1980 Standard Ordinary Mortality Table; or

ii. At the election of the company for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors; or

iii. Any ordinary mortality table, adopted after 1980 by the [National Association of Insurance Commissioners] **NAIC**, that is approved by regulation promulgated by the director for use in determining the minimum standard of valuation for such policies;

b. For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies, the 1941 Standard Industrial Mortality Table for such policies issued prior to the operative date of subsection **[**10a**]** **13** of section 376.670 and for such policies issued on or after such operative date, the Commissioners 1961 Standard Industrial Mortality Table or any industrial mortality table, adopted after 1980 by the **[**National Association of Insurance Commissioners**]** **NAIC**, that is approved by regulation promulgated by the director for use in determining the minimum standard of valuation for such policies;

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

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

e. For total and permanent disability benefits in or supplementary to ordinary policies or contracts, for policies or contracts issued on or after January 1, 1966, the tables of period two disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the Society of Actuaries, with due regard to the type of benefit or any tables of disablement rates and termination rates, adopted after 1980 by the **[**National Association of Insurance Commissioners**]** **NAIC**, that are approved by regulation promulgated by the director for use in determining the minimum standard of valuation for such policies; for policies or contracts issued on or after January 1, 1961, and prior to January 1, 1966, either such tables or at the option of the company, the Class (3) Disability Table (1926); and for policies issued prior to January 1, 1961, the Class (3) Disability Table (1926). Any such table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies;

f. For accidental death benefits in or supplementary to policies issued on or after January 1, 1966, the 1959 Accidental Death Benefits Table or any accidental death benefits table, adopted after 1980 by the **[**National Association of Insurance Commissioners**]** **NAIC**, that is approved by regulation promulgated by the director for use in determining the minimum standard of valuation for such policies; for policies issued on or after January 1, 1961, and prior to January 1, 1966, either such table or, at the option of the company, the Inter-Company Double Indemnity Mortality Table; and for policies issued prior to January 1, 1961, the Inter-Company Double Indemnity Mortality Table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies;

g. For group life insurance, life insurance issued on the substandard basis and other special benefits, such tables as may be approved by the director;

(b) Except as otherwise provided in paragraphs (d), (e), and (h) of this subdivision, reserves according to the commissioners reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of a. over b., as follows:

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

b. A net one year term premium for such benefit provided for in the first policy year; provided, that for any life insurance policy issued on or after January 1, 1986, for which the contract premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than such excess premium, the reserve according to the commissioners reserve valuation method as of any policy anniversary occurring on or before the assumed ending date defined herein as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than such excess premium shall, except as otherwise provided in paragraph (h) of this subdivision, be the greater of the reserve as of such policy anniversary calculated as described in paragraph (b) of this subdivision and the reserve as of such policy anniversary calculated as described in paragraph (b) of this subdivision, but with:

i. The value defined in subparagraph a. of paragraph (b) **of this subdivision** being reduced by fifteen percent of the amount of such excess first year premium;

ii. All present values of benefits and premiums being determined without reference to premiums or benefits provided for by the policy after the assumed ending date;

iii. The policy being assumed to mature on such date as an endowment; and

iv. The cash surrender value provided on such date being considered as an endowment benefit. In making the above comparison the mortality and interest bases stated in paragraph (a) of this subdivision and subsection 2 of this section shall be used;

(c) Reserves according to the commissioners reserve valuation method for:

a. Life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums;

b. Group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship) or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code, as now or hereafter amended;

c. Disability and accidental death benefits in all policies and contracts; and

d. All other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts, shall be calculated by a method consistent with the principles of paragraph (b) of this subdivision;

(d) Paragraph (e) of this subdivision shall apply to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer (including a partnership or sole proprietorship), or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code, as now or hereafter amended;

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

(f) In no event shall a company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, be less than the aggregate reserves calculated in accordance with the method set forth in paragraphs (b), (c), (d), (e), (h) and (i) of this subdivision and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies;

(g) In no event shall the aggregate reserves for all policies, contracts and benefits be less than the aggregate reserves determined by the qualified actuary to be necessary to render the opinion required by **[**subsection 4**] subsections 4 and 5** of this section;

(h) If in any contract year the gross premium charged by any life insurance company on any policy or contract is less than the valuation net premium for the policy or contract calculated by the method used in calculating the reserve thereon but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for such policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest, and method actually used for such policy or contract, or the reserve calculated by the method actually used for such policy or contract but using the minimum valuation standards of mortality and rate of interest and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium. The minimum valuation standards of mortality and rate of interest referred to in this section are those standards stated in paragraph (a) of this subdivision and subsection 2 of this section; provided, that for any life insurance policy issued on or after January 1, 1986, for which the gross premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than such excess premium, the foregoing provisions of this paragraph shall be applied as if the method actually used in calculating the reserve for such policy were the method described in paragraph (b) of this subdivision. The minimum reserve at each policy anniversary of such a policy shall be the greater of the minimum reserve calculated in accordance with paragraphs (b) and (c) **of this subdivision** and the minimum reserve calculated in accordance with this paragraph;

(i) In the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurance company based on then estimates of future experience, or in the case of any plan of life insurance or annuity which is of such a nature that the minimum reserves cannot be determined by the methods described in paragraphs (b) to (e) of this subdivision, and paragraph (h) of this subdivision, the reserves which are held under any such plan must:

a. Be appropriate in relation to the benefits and the pattern of premiums for that plan; and

b. Be computed by a method which is consistent with the principles of this section as determined by regulations promulgated by the director.

(3) Except as provided in subsection 2 of this section, the minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this subdivision, as defined herein, and for all annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts, shall be the commissioners reserve valuation methods defined in paragraphs (b), (c), (d), and (e) of subdivision (2) of this subsection, and the following tables and interest rates:

(a) For individual annuity and pure endowment contracts issued prior to September 28, 1979, excluding any disability and accidental death benefits in such contracts, the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the director, and six percent interest for single premium immediate annuity contracts, and four percent interest for all other individual annuity and pure endowment contracts;

(b) For individual single premium immediate annuity contracts issued on or after September 28, 1979, excluding any disability and accidental death benefits in such contracts, the 1971 Individual Annuity Mortality Table, or any individual annuity mortality table adopted after 1980 by the **[**National Association of Insurance Commissioners**]** **NAIC**, that is approved by regulation promulgated by the director for use in determining the minimum standard of valuation for such contracts, or any modification of these tables approved by the director, and seven and one-half percent interest;

(c) For individual annuity and pure endowment contracts issued on or after September 28, 1979, other than single premium immediate annuity contracts, excluding any disability and accidental death benefits in such contracts, the 1971 Individual Annuity Mortality Table, or any individual annuity mortality table adopted after 1980 by the **[**National Association of Insurance Commissioners**]** **NAIC**, that is approved by regulation promulgated by the director for use in determining the minimum standard of valuation for such contracts, or any modification of these tables approved by the director, and five and one-half percent interest for single premium deferred annuity and pure endowment contracts and four and one-half percent interest for all other such individual annuity and pure endowment contracts;

(d) For all annuities and pure endowments purchased prior to September 28, 1979, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 Group Annuity Mortality Table, or any modification of this table approved by the director, and six percent interest;

(e) For all annuities and pure endowments purchased on or after September 28, 1979, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 Group Annuity Mortality Table, or any group annuity mortality table adopted after 1980 by the **[**National Association of Insurance Commissioners**]** **NAIC**, that is approved by regulation promulgated by the director for use in determining the minimum standard of valuation for such annuities and pure endowments, or any modification of these tables approved by the director, and seven and one-half percent interest;

(f) On and after September 28, 1975, any company may file with the director a written notice of its election to comply with the provisions of this subdivision after a specified date before January 1, 1980, which shall be the operative date of this subdivision for such company, provided a company may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If a company makes no such election, the operative date of this subdivision for such company shall be January 1, 1980.

2. (1) The calendar year statutory valuation interest rates as defined in this subsection shall be the interest rates used in determining the minimum standard for

the valuation of:

(a) All life insurance policies issued in a particular calendar year, on or after the operative date of subsection **[**10b**] 14** of section 376.670;

(b) All individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1983;

(c) All annuities and pure endowment contracts purchased in a particular calendar year on or after January 1, 1983, under group annuity and pure endowment contracts; and

(d) The net increase, if any, in a particular calendar year after January 1, 1983, in amounts held under guaranteed interest contracts.

(2) The calendar year statutory valuation interest rates, I, shall be determined as follows and the results rounded to the nearer one-quarter of one percent:

(a) For life insurance:

$I = .03 + W (R_1 - .03) + W/2 (R_2 - .09)$;

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

$I = .03 + W (R - .03)$, where R_1 is the lesser of R and .09; R_2 is the greater of R and .09; R is the reference interest rate defined in this subsection; and W is the weighting factor defined in this subsection;

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

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

(e) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, the formula for single premium immediate annuities stated in paragraph (b) of this subdivision shall apply. If the calendar year statutory valuation interest rate for any life insurance policies issued in any calendar year determined without reference to this sentence differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than one-half of one percent, the calendar year statutory valuation interest rate for such life insurance policies shall be equal to the corresponding actual rate for the immediately preceding calendar year. For purposes of applying the immediately preceding sentence, the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year shall be determined for 1980 (using the reference interest rate defined for 1979) and shall be determined for each subsequent calendar year regardless of when subsection **[**10b**]** **14** of section 376.670 becomes operative.

(3) The weighting factors referred to in the formulas stated in subdivision (2) of this subsection are given in the following tables:

(a) Weighting factors for life insurance:

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

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

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

(c) Weighting factors for other annuities and for guaranteed interest contracts, except as stated in paragraph (b) of this subdivision, shall be as specified in subparagraphs a., b., and c. of this paragraph, according to the rules and definitions in subparagraphs d., e., and f. of this paragraph:

a. For annuities and guaranteed interest contracts valued on an issue year basis:

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

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

b. For annuities and guaranteed interest contracts valued on a change in fund basis, the factors shown in subparagraph a. of this paragraph increased by:

Plan Type		
A	B	C
.15	.25	.05;

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

Plan Type		
A	B	C
.05	.05	.05;

d. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the guarantee duration is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance policies with guarantee duration in excess of twenty years. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence;

e. Plan type as used in subparagraphs a., b., and c. of this paragraph is defined as follows:

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

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

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

f. A company may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue year basis or on a change in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue year basis. As used in this subsection an issue year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract, and the change in fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

(4) The "reference interest rate" referred to in subdivision (2) of this subsection shall be defined as follows:

(a) For all life insurance, the lesser of the average over a period of thirty-six months and the average over a period of twelve months, ending on June thirtieth of the calendar year next preceding the year of issue, of the Monthly Average of the Composite Yield on Seasoned Corporate Bonds, as published by Moody's Investors Service, Inc.;

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

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

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

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

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

(5) In the event that the Monthly Average of the Composite Yield on Seasoned Corporate Bonds is no longer published by Moody's Investors Service, Inc., or in the event that the **[**National Association of Insurance Commissioners**]** **NAIC** determines that the Monthly Average of the Composite Yield on Seasoned Corporate Bonds as published by Moody's Investors Service, Inc., is no longer appropriate for the determination of the reference interest rate, then an alternative method for determination of the reference interest rate, which is adopted by the **[**National Association of Insurance Commissioners**]** **NAIC** and approved by regulation promulgated by the director, may be substituted.

3. **[**The director shall promulgate a regulation containing the minimum standards applicable to the valuation of health, disability and sickness and accident plans**]** **For accident and health insurance contracts issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual is the minimum standard of valuation required under subsection 2 of section 376.370. For disability, accident and sickness, and**

accident and health insurance contracts issued on or after the operative date provided in subsection 20 of section 376.670 and prior to the operative date of the valuation manual, the minimum standard of valuation is the standard adopted by the director by regulation.

4. (1) **This subsection shall apply to actuarial opinions of reserves prior to the date of the valuation manual.**

(2) Every life insurance company doing business in this state shall annually submit the opinion of a qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the director by regulation are computed appropriately, are based on assumptions which satisfy contractual provisions, are consistent with prior reported amounts and comply with applicable laws of this state. The director by regulation shall define the specifics of this opinion and add any other items deemed to be necessary to its scope.

[(2)**]** **(3)** (a) Every life insurance company, except as exempted by or pursuant to regulation, shall also annually include in the opinion required by subdivision **[**(1)**]** **(2)** of this subsection, an opinion of the same qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the director by regulation, when considered in light of the assets held by the company with respect to the reserves and related actuarial items, including but not limited to the investment earnings on the assets and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision for the company's obligations under the policies and contracts, including but not limited to the benefits under and expenses associated with the policies and contracts.

(b) The director may provide by regulation for a transition period for establishing any higher reserves which the qualified actuary may deem necessary in order to render the opinion required by this subsection.

[(3)**]** **(4)** Each opinion required by subdivision **[**(2)**]** **(3)** of this subsection shall be governed by the following provisions:

(a) A memorandum, in form and substance acceptable to the director as specified by regulation, shall be prepared to support each actuarial opinion; and

(b) If the insurance company fails to provide a supporting memorandum at the request of the director within a period specified by regulation or the director determines that the supporting memorandum provided by the insurance company fails to meet the standards prescribed by the regulations or is otherwise unacceptable to the director, the director may engage a qualified actuary at the expense of the company to review the opinion and the basis for the opinion and prepare such supporting memorandum as is required by the director.

[(4)] **(5)** Every opinion **required by this subsection** shall be governed by the following provisions:

(a) The opinion shall be submitted with the annual statement reflecting the valuation of such reserve liabilities for each year ending on or after December 31, 1993;

(b) The opinion shall apply to all business in force including individual and group health insurance plans, in form and substance acceptable to the director as specified by regulation;

(c) The opinion shall be based on standards adopted from time to time by the Actuarial Standards Board and on such additional standards as the director may by regulation prescribe;

(d) In the case of an opinion required to be submitted by a foreign or alien company, the director may accept the opinion filed by that company with the insurance supervisory official of another state if the director determines that the opinion reasonably meets the requirements applicable to a company domiciled in this state;

(e) For the purposes of this section, "qualified actuary" means a member in good standing of the American Academy of Actuaries who meets the requirements set forth in such regulations;

(f) Except in cases of fraud or willful misconduct, the qualified actuary shall not be liable for damages to any person, other than the insurance company and the director, for any act, error, omission, decision or conduct with respect to the actuary's opinion;

(g) Disciplinary action by the director against the company or the qualified actuary shall be defined in regulations by the director; and

(h) Any memorandum in support of the opinion, and any other material provided by the company to the director in connection therewith, shall be kept confidential by the director and shall not be made public and shall not be subject to subpoena, other than for the purpose of defending an action seeking damages from any person by reason of any action required by this section or by regulations promulgated hereunder; except that the memorandum or other material may otherwise be released by the director:

a. With the written consent of the company; or

b. To the American Academy of Actuaries upon request stating that the memorandum or other material is required for the purpose of professional disciplinary proceedings and setting forth procedures satisfactory to the director for preserving the confidentiality of the memorandum or other material. Once any portion of the confidential memorandum is cited by the company in its marketing or is cited before any governmental agency other than a state insurance department or is released by the company to the news media, all portions of the confidential memorandum shall be no longer confidential.

5. (1) This subsection shall apply to actuarial opinions of reserves after the operative date of the valuation manual.

(2) Every company with outstanding life insurance contracts, accident and health insurance contracts, or deposit-type contracts in Missouri and subject to regulation by the director shall annually submit the opinion of the appointed actuary as to whether the reserves and related actuarial items held in support of the policies and contracts are computed appropriately, are based on assumptions that satisfy contractual provisions, are consistent with prior reported amounts, and comply with applicable Missouri law. The valuation manual shall prescribe the specifics of such opinion, including any items deemed to be necessary to its scope.

(3) Every company with outstanding life insurance contracts, accident and health insurance contracts, or deposit-type contracts in Missouri and subject to regulation by the director, except as exempted in the valuation manual, shall also annually include in the opinion required under subdivision (2) of this subsection an opinion of the same appointed actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified in the valuation manual, when considered in light of the assets held by the company with respect to the reserves and related actuarial items including, but not limited to, the investment earnings on the assets and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision for the company's obligations under the policies and contracts including, but not limited to, benefits under and expenses associated with the policies and contracts.

(4) Each opinion required by subdivision (3) of this subsection shall be governed by the following provisions:

(a) A memorandum, in form and substance as specified in the valuation manual and acceptable to the director, shall be prepared to

support each actuarial opinion; and

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

(5) Every opinion required by this subsection shall be governed by the following:

(a) The opinion shall be in form and substance as specified in the valuation manual and acceptable to the director;

(b) The opinion shall be submitted with the annual statement reflecting the valuation of such reserve liabilities for each year ending on or after the operative date of the valuation manual;

(c) The opinion shall apply to all policies and contracts subject to subdivision (3) of this subsection, plus other actuarial liabilities as may be specified in the valuation manual;

(d) The opinion shall be based on standards adopted from time to time by the Actuarial Standards Board or its successor, and on such additional standards as may be prescribed in the valuation manual;

(e) In the case of an opinion required to be submitted by a foreign or alien company, the director may accept the opinion filed by such company with the insurance supervisory official of another state if the director determines that the opinion reasonably meets the requirements applicable to a company domiciled in Missouri;

(f) Except in cases of fraud or willful misconduct, the appointed actuary shall not be liable for damages to any person, other than the insurance company and the director, for any act, error, omission, decision, or conduct with respect to the appointed actuary's opinion; and

(g) Disciplinary action by the director against the company or the appointed actuary shall be defined in regulations by the director.

6. (1) For policies issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual is the minimum standard of valuation required under subsection 2 of section

376.370, except as provided under subdivision (5) or (7) of this subsection.

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

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

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

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

(d) The valuation manual becomes effective under an order of the director.

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

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

a. At least three-fourths of the members of the NAIC voting, but not less than a majority of the total membership; and

b. Members of the NAIC representing jurisdictions totaling greater than seventy-five percent of the direct premiums written as reported in the following annual statements most recently available prior to the vote in subparagraph a. of this paragraph: life, accident, and health annual statements; health annual statements; or fraternal annual statements;

(b) The valuation manual becomes effective under an order of the director.

(4) The valuation manual shall specify all of the following:

(a) Minimum valuation standards for and definitions of the policies

or contracts subject to subsection 2 of section 376.370. Such minimum standards shall be:

a. The commissioners reserve valuation method for life insurance contracts, other than annuity contracts, subject to subsection 2 of section 376.370;

b. The commissioners annuity reserve valuation method for annuity contracts subject to subsection 2 of section 376.370; and

c. Minimum reserves for all other policies and contracts subject to subsection 2 of section 376.370;

(b) Which policies or contracts or types of policies or contracts are subject to the requirements of a principle-based valuation under subdivision (1) of subsection 7 of this section and the minimum valuation standards consistent with such requirements;

(c) For policies and contracts subject to principle-based valuation under subsection 7 of this section:

a. Requirements for the format of reports to the director under paragraph (c) of subdivision (2) of subsection 7 of this section and which shall include information necessary to determine if the valuation is appropriate and in compliance with sections 376.365 to 376.380;

b. Assumptions which shall be prescribed for risks over which the company does not have significant control or influence;

c. Procedures for corporate governance and oversight of the actuarial function, and a process for appropriate waiver or modification of such procedures;

(d) For policies not subject to a principle-based valuation under subsection 7 of this section, the minimum valuation standard shall either:

a. Be consistent with the minimum standard of valuation prior to the operative date of the valuation manual; or

b. Develop reserves that quantify the benefits and guarantees, and the funding, associated with the contracts and their risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring;

(e) Other requirements including, but not limited to, those relating to reserve methods, models for measuring risk, generation of economic scenarios, assumptions, margins, use of company experience, risk measurement, disclosure, certifications, reports, actuarial opinions and

memorandums, transition rules, and internal controls; and

(f) The data and form of the data required under subsection 8 of this section, to whom the data shall be submitted, and may specify other requirements, including data analyses and reporting of analyses.

(5) In the absence of a specific valuation requirement or if a specific valuation requirement in the valuation manual is not, in the opinion of the director, in compliance with sections 376.365 to 376.380, the company shall, with respect to such requirements, comply with minimum valuation standards prescribed by the director by regulation.

(6) The director may engage a qualified actuary, at the expense of the company, to perform an actuarial examination of the company and opine on the appropriateness of any reserve assumption or method used by the company, or to review and opine on a company's compliance with any requirement set forth in sections 376.365 to 376.380. The director may rely upon the opinion regarding provisions contained in sections 376.365 to 376.380 of a qualified actuary engaged by the director of another state, district, or territory of the United States. As used in this subdivision, engage includes employment and contracting.

(7) The director may require a company to change any assumption or method that in the opinion of the director is necessary in order to comply with the requirements of the valuation manual or sections 376.365 to 376.380, and the company shall adjust the reserves as required by the director. The director may take other disciplinary action as permitted under chapter 354 and chapters 374 to 385.

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

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

(b) Incorporate assumptions, risk analysis methods, and financial models and management techniques that are consistent with, but not necessarily identical to, those utilized within the company's overall risk

assessment process, while recognizing potential differences in financial reporting structures and any prescribed assumptions or methods;

(c) Incorporate assumptions that are derived in one of the following manners:

a. The assumption is prescribed in the valuation manual; or

b. For assumptions that are not prescribed, the assumption shall:

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

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

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

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

(a) Establish procedures for corporate governance and oversight of the actuarial valuation function consistent with those described in the valuation manual;

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

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

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

8. For policies in force on or after the operative date of the valuation manual, a company shall submit mortality, morbidity, policyholder behavior, or expense experience and other data as prescribed in the valuation manual.

9. (1) For purposes of this subsection, "confidential information" means:

(a) A memorandum in support of an opinion submitted under subsection 4 or 5 of this section and any other documents, materials, and other information including, but not limited to, all working papers and copies thereof created, produced, or obtained by or disclosed to the director or any other person in connection with such memorandum;

(b) All documents, materials, and other information including, but not limited to, all working papers and copies thereof created, produced, or obtained by or disclosed to the director or any other person in the course of an examination made under subdivision (6) of subsection 6 of this section; provided, however, that if an examination report or other material prepared in connection with an examination made under section 374.205 is not held as private and confidential information under section 374.205, an examination report or other material prepared in connection with an examination made under subdivision (6) of subsection 6 of this section shall not be confidential information to the same extent as if such examination report or other material had been prepared under section 374.205;

(c) Any reports, documents, materials, and other information developed by a company in support of or in connection with an annual certification by the company under paragraph (b) of subdivision (2) of subsection 7 of this section evaluating the effectiveness of the company's internal controls with respect to a principle-based valuation and any other documents, materials, and other information including, but not limited to, all working papers and copies thereof created, produced, or obtained by or disclosed to the director or any other person in connection with such reports, documents, material, and other information;

(d) Any principle-based valuation report developed under paragraph (c) of subdivision (2) of subsection 7 of this section and any other documents, materials, and other information including, but not limited to, all working papers and copies thereof created, produced, or obtained by or disclosed to the director or any other person in connection with such report; and

(e) Any documents, materials, data, and other information submitted by a company under subsection 8 of this section (collectively, "experience data") and any other documents, materials, data, and other information

including, but not limited to, all working papers and copies thereof created or produced in connection with such experience data, in each case that include any potentially company-identifying or personally identifiable information, that is provided to or obtained by the director (together with any "experience data", the "experience materials") and any other documents, materials, data, and other information including, but not limited to, all working papers and copies thereof created, produced, or obtained by or disclosed to the director or any other person in connection with such experience materials.

(2) (a) Except as provided in this subsection, a company's confidential information is confidential by law and privileged, and shall not be subject to chapter 610, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action; provided, however, that the director is authorized to use the confidential information in the furtherance of any regulatory or legal action brought against the company as a part of the director's official duties.

(b) Neither the director nor any person who received confidential information while acting under the authority of the director shall be permitted or required to testify in any private civil action concerning any confidential information.

(c) In order to assist in the performance of the director's duties, the director may share confidential information with:

a. Other state, federal, and international regulatory agencies and with the NAIC and its affiliates and subsidiaries; and

b. In the case of confidential information specified in paragraphs (a) and (d) of subdivision (1) of this subsection only, the Actuarial Board for Counseling and Discipline or its successor upon request stating that the confidential information is required for the purpose of professional disciplinary proceedings and with state, federal, and international law enforcement officials.

(d) The sharing of confidential information detailed in paragraph (c) of this subdivision shall be contingent on such recipient agreeing and having the legal authority to agree to maintain the confidentiality and privileged status of such documents, materials, data, and other information in the same manner and to the same extent as required for the director.

(e) The director may receive documents, materials, data, and other

information, including otherwise confidential and privileged documents, materials, data, or information, from the NAIC and its affiliates and subsidiaries, from regulatory or law enforcement officials of other foreign or domestic jurisdictions, and from the Actuarial Board for Counseling and Discipline or its successor and shall maintain as confidential or privileged any document, material, data, or other information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material, or other information.

(f) The director may enter into agreements governing sharing and use of information consistent with this subdivision.

(g) No waiver of any applicable privilege or claim of confidentiality in the confidential information shall occur as a result of disclosure to the director under this section or as a result of sharing as authorized in paragraph (c) of this subdivision.

(h) A privilege established under the law of any state or jurisdiction that is substantially similar to the privilege established under this subdivision shall be available and enforced in any proceeding in, and in any court of, Missouri.

(i) In this subsection, regulatory agency, law enforcement agency, and the NAIC include, but are not limited to, their employees, agents, consultants and contractors.

(3) Notwithstanding subdivision (2) of this subsection, any confidential information specified in paragraphs (a) and (d) of subdivision (1) of this subsection:

(a) May be subject to subpoena for the purpose of defending an action seeking damages from the appointed actuary submitting the related memorandum in support of an opinion submitted under subsection 4 or 5 of this section or principle-based valuation report developed under paragraph (c) of subdivision (2) of subsection 7 of this section by reason of an action required by sections 376.365 to 376.380 or by regulations promulgated hereunder;

(b) May otherwise be released by the director with the written consent of the company; and

(c) Once any portion of a memorandum in support of an opinion submitted under subsection 4 or 5 of this section or a principle-based

valuation report developed under paragraph (c) of subdivision (2) of subsection 7 of this section is cited by the company in its marketing, or is publicly volunteered to or before a governmental agency other than a state insurance department, or is released by the company to the news media, all portions of such memorandum or report shall no longer be confidential.

10. The director may exempt specific product forms or product lines of a domestic company that is licensed and doing business only in Missouri from the requirements of subsection 6 of this section provided:

(1) The director has issued an exemption in writing to the company and has not subsequently revoked the exemption in writing; and

(2) The company computes reserves using assumptions and methods used prior to the operative date of the valuation manual in addition to any requirements established by the director and promulgated by regulation. For any company granted an exemption under this section, subsection 3 of section 376.370 and subsections 1 to 5 of this section shall be applicable. With respect to any company applying this exemption, any reference to subsection 6 of this section found in subsection 3 of section 376.370 and subsections 1 to 5 of this section shall not be applicable.

11. (1) A company that has less than three hundred million dollars of ordinary life premium and that is licensed and doing business in Missouri and that is subject to the requirements of subsections 6 and 7 of this section, may hold reserves based on the mortality tables and interest rates defined by the valuation manual for net premium reserves and using the methodology defined in the provisions of paragraphs (b) through (i) of subdivision (2) of subsection 1 of this section and subsection 3 of section 376.370 as they apply to ordinary life insurance in lieu of the reserves required by subsections 6 and 7 of this section, provided that:

(a) If the company is a member of a group of life insurers, the group has combined ordinary life premiums of less than six hundred million dollars;

(b) The company reported total adjusted capital of at least four hundred fifty percent of authorized control level risk-based capital in the risk-based capital report for the prior calendar year;

(c) The appointed actuary has provided an unqualified opinion on the reserves in accordance with subsections 4 and 5 of this section for the prior calendar year;

(d) The company has provided a certification by a qualified actuary that any universal life policy with a secondary guarantee issued after the operative date of the valuation manual meets the definition of a nonmaterial secondary guarantee universal life product as defined in the valuation manual.

(2) For purposes of subdivision (1) of this subsection, ordinary life premiums are measured as direct premium plus reinsurance assumed from an unaffiliated company, as reported in the prior calendar year annual statement.

(3) A domestic company meeting all of the above conditions may file a statement prior to July first with the director certifying that these conditions are met for the current calendar year based on premiums and other values from the prior calendar year financial statements. The director may reject such statement prior to September first and require a company to comply with the valuation manual requirements for life insurance reserves.

376.670. 1. **As used in this section, "operative date of the valuation manual" shall have the same meaning as set forth in section 376.365.**

2. In the case of policies issued on or after the operative date of this section, as defined in subsection **[**14**] 20 of this section**, no policy of life insurance, except as stated in subsection **[**13**] 19 of this section**, shall be delivered or issued for delivery in this state unless it shall contain in substance the following provisions, or corresponding provisions which in the opinion of the director of the department of insurance, financial institutions and professional registration are at least as favorable to the defaulting or surrendering policyholder as are the minimum requirements specified in this section and are essentially in compliance with subsection **[**12a**] 18** of this section:

(1) That, in the event of default in any premium payment, the company will grant, upon proper request not later than sixty days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date, of such amount as may be herein specified. In lieu of such stipulated paid-up nonforfeiture benefit, the company may substitute, upon proper request not later than sixty days after the due date of the premium in default, an actuarially equivalent alternative paid-up nonforfeiture benefit which provides a greater amount or longer period of death benefits or, if applicable, a greater amount or earlier payment of endowment benefits;

(2) That, upon surrender of the policy within sixty days after the due date of any premium payment in default after premiums have been paid for at least three full years in the case of ordinary insurance or five full years in the case of industrial insurance, the company will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be herein specified;

(3) That a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not later than sixty days after the due date of the premium in default;

(4) That, if the policy shall have become paid up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of ordinary insurance or the fifth policy anniversary in the case of industrial insurance, the company will pay, upon surrender of the policy within thirty days after any policy anniversary, a cash surrender value of such amount as may be herein specified;

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

(6) A statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance law of the state in which the policy is delivered; an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the company on the policy; if a detailed statement of the method of computation of the values and benefits shown

in the policy is not stated therein, a statement that such method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy.

[2.] **3.** Any of the foregoing provisions or portions thereof not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy.

[3.] **4.** The company shall reserve the right to defer the payment of any cash surrender value for a period of six months after demand therefor with surrender of the policy.

[4.] **5.** (1) Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by subsection [1] **2 of this section**, shall be an amount not less than the excess, if any, of the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy if there had been no default, including any existing paid-up additions, over the sum of the then present value of the adjusted premiums as defined in subsections [6, 7, 8, 8a, 9, 10, 10a, and 10b] **7, 8, 9, 10, 11, 12, 13, and 14 of this section** corresponding to premiums which would have fallen due on and after such anniversary, and the amount of any indebtedness to the company on the policy.

(2) For any policy issued on or after the operative date of subsection [10b] **14** of this section which provides supplemental life insurance or annuity benefits at the option of the insured for an identifiable additional premium by rider or supplemental policy provision, the cash surrender value referred to in subdivision (1) of this subsection shall be an amount not less than the sum of the cash surrender value for an otherwise similar policy issued at the same age without such rider or supplemental policy provision and the cash surrender value for a policy which provides only the benefits otherwise provided by such rider or supplemental policy provision.

(3) For any family policy issued on or after the operative date of subsection [10b] **14** of this section which defines a primary insured and provides term insurance on the life of the spouse of the primary insured expiring before the spouse's age seventy-one, the cash surrender value referred to in subdivision (1) of this subsection shall be an amount not less than the sum of the cash surrender value for an

otherwise similar policy issued at the same age without such term insurance on the life of the spouse and the cash surrender value for a policy which provides only the benefits otherwise provided by such term insurance on the life of the spouse.

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

[5.**] 6.** Any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surrender value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by this section in the absence of the condition that premiums shall have been paid for at least a specified period.

[6.**] 7.** This subsection and subsections **[**7, 8, 8a, and 9**] 8, 9, 10, and 11** of this section shall not apply to policies issued on or after the operative date of subsection **[**10b**] 14** of this section. Except as provided in subsection **[**8a**] 10 of this section**, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding any extra premiums charged because of impairments or special hazards, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of:

(1) The then present value of the future guaranteed benefits provided for by the policy;

(2) Two percent of the amount of insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as herein defined, if the amount of insurance varies with duration of the policy;

(3) Forty percent of the adjusted premium for the first policy year;

(4) Twenty-five percent of either the adjusted premiums for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less.

[7.**] 8.** Provided, however, that in applying the percentages specified in subdivisions (3) and (4) of subsection **[**6**] 7 of this section**, no adjusted premium shall be deemed to exceed four percent of the amount of insurance or uniform amount equivalent thereto. The date of issue of a policy for the purpose of subsections [6, 7, 8, 8a and 9] **7, 8, 9, 10, and 11 of this section** shall be the date as of which the rated age of the insured is determined.

[8.] **9.** In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of subsections [6, 7, 8, 8a and 9] **7, 8, 9, 10, and 11 of this section** shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy; provided, however, that in the case of a policy providing a varying amount of insurance issued on the life of a child under age ten, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten were the amount provided by such policy at age ten.

[8a.] **10.** The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (a) the adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable, by (b) the adjusted premiums for such term insurance, the foregoing items (a) and (b) being calculated separately and as specified in subsections [6, 7 and 8] **7, 8, and 9 of this section** except that, for the purposes of subdivisions (2), (3) and (4) of subsection [6] **7 of this section**, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (b) shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (a).

[9.] **11.** Except as otherwise provided in subsections [10 and 10a] **12 and 13 of this section**, all adjusted premiums and present values referred to in this section shall, for all policies of ordinary insurance, be calculated on the basis of the Commissioners 1941 Standard Ordinary Mortality Table, provided that for any category of ordinary insurance issued on and after the effective date of this amendment on female risks, adjusted premiums and present values may be calculated according to an age not more than three years younger than the actual age of the insured and such calculations for all policies of industrial insurance shall be made on the basis of the 1941 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest, not exceeding three and one-half percent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits; provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than one hundred and thirty percent of the rates of mortality according to such applicable table; provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the company and approved by the director.

[10.**]** **12.** This subsection shall not apply to ordinary policies issued on or after the operative date of subsection **[**10b**]** **14 of this section**. In the case of ordinary policies issued on or after the operative date provided in this subsection, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that such rate of interest shall not exceed three and one-half percent per annum, except that a rate of interest not exceeding four percent per annum may be used for policies issued on or after September 28, 1975, and prior to September 28, 1979, and a rate of interest not exceeding five and one-half percent per annum may be used for policies issued on or after September 28, 1979, and provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than six years younger than the actual age of the insured; provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1958 Extended Term Insurance Table; provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the company and approved by the director. After the date when this subsection becomes effective, any company may file with the director a written notice of its election to comply with the provisions of this subsection after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date, which shall be the operative date of this subsection for such company, this subsection shall become operative with respect to the ordinary policies thereafter issued by such company. If a company makes no such election, the operative date of this subsection for such company shall be January 1, 1966.

[10a.**]** **13.** This subsection shall not apply to industrial policies issued on or after the operative date of subsection **[**10b**] 14 of this section**. In the case of industrial policies issued on or after the operative date of this subsection as defined herein, all adjusted premiums and present values referred to in this section shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table and the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that such rate of interest shall not exceed three and one-half percent per annum, except that a rate of interest not exceeding four percent per annum may be used for policies issued on or after September 28, 1975, and prior to September 28, 1979, and a rate of interest not exceeding five and one-half percent per annum may be used for policies issued on or after September 28, 1979; provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table; provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the company and approved by the director. After the date when this subsection becomes effective, any company may file with the director a written notice of its election to comply with the provisions of this subsection after a specified date before January 1, 1968. After the filing of such notice, then upon such specified date, which shall be the operative date of this subsection for such company, this subsection shall become operative with respect to the industrial policies thereafter issued by such company. If a company makes no such election, the operative date of this subsection for such company shall be January 1, 1968.

[10b.**]** **14.** (1) This subsection shall apply to all policies issued on or after the operative date of this subsection as defined herein. Except as provided in subdivision (7) of this subsection, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments or special hazards and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of:

(a) The then present value of the future guaranteed benefits provided for by the policy; **provided, however, that the nonforfeiture interest rate shall not be less than four percent;**

(b) One percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years; and

(c) One hundred twenty-five percent of the nonforfeiture net level premium as hereinafter defined. In applying the percentage specified in paragraph (c) above, no nonforfeiture net level premium shall be deemed to exceed four percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years. The date of issue of a policy for the purpose of this subsection shall be the date as of which the rated age of the insured is determined.

(2) The nonforfeiture net level premium shall be equal to the present value, at the date of issue of the policy, of the guaranteed benefits provided for by the policy divided by the present value, at the date of issue of the policy, of an annuity of one per annum payable on the date of issue of the policy and on each anniversary of such policy on which a premium falls due.

(3) In the case of policies which cause, on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, the adjusted premiums and present values shall initially be calculated on the assumption that future benefits and premiums do not change from those stipulated at the date of issue of the policy. At the time of any such change in the benefits or premiums the future adjusted premiums, nonforfeiture net level premiums and present values shall be recalculated on the assumption that future benefits and premiums do not change from those stipulated by the policy immediately after the change.

(4) Except as otherwise provided in subdivision (7) of this subsection, the recalculated future adjusted premiums for any such policy shall be such uniform percentage of the respective future premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments and special hazards, and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the

time of change to the newly defined benefits or premiums, of all such future adjusted premiums shall be equal to the excess of (A) the sum of the then present value of the then future guaranteed benefits provided for by the policy and the additional expense allowance, if any, over (B) the then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy.

(5) The additional expense allowance, at the time of the change to the newly defined benefits or premiums, shall be the sum of:

(a) One percent of the excess, if positive, of the average amount of insurance at the beginning of each of the first ten policy years subsequent to the change over the average amount of insurance prior to the change at the beginning of each of the first ten policy years subsequent to the time of the most recent previous change, or, if there has been no previous change, the date of issue of the policy; and

(b) One hundred twenty-five percent of the increase, if positive, in the nonforfeiture net level premium.

(6) The recalculated nonforfeiture net level premium shall be equal to the result obtained by dividing (a) by (b) where:

(a) Equals the sum of:

a. The nonforfeiture net level premium applicable prior to the change times the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of the change on which a premium would have fallen due had the change not occurred; and

b. The present value of the increase in future guaranteed benefits provided for by the policy; and

(b) Equals the present value of an annuity of one per annum payable on each anniversary of the policy on or subsequent to the date of change on which a premium falls due.

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

(8) All adjusted premiums and present values referred to in this section shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1980 Standard Ordinary Mortality Table or, at the election of the company for any

one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors. All adjusted premiums and present values referred to in this section shall for all policies of industrial insurance be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table. All adjusted premiums and present values referred to in this section shall for all policies issued in a particular calendar year be calculated on the basis of a rate of interest not exceeding the nonforfeiture interest rate as defined in this subsection for policies issued in that calendar year.

(9) Except as provided in subdivision (8) of this subsection:

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

(b) Under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by subsection **[**1**] 2** of this section, shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of such paid-up nonforfeiture benefit and paid-up dividend additions, if any;

(c) A company may calculate the amount of any guaranteed paid-up nonforfeiture benefit including any paid-up additions under the policy on the basis of an interest rate no lower than that specified in the policy for calculating cash surrender values;

(d) In calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1980 Extended Term Insurance Table for policies of ordinary insurance and not more than the Commissioners 1961 Industrial Extended Term Insurance Table for policies of industrial insurance;

(e) For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on appropriate modifications of the tables listed in **[**subdivision**] paragraph** (d) of this **[**subsection**] subdivision**;

(f) **For policies issued prior to the operative date of the valuation manual,** any ordinary mortality tables, adopted after 1980 by the **[**National Association of Insurance Commissioners**] NAIC**, that are approved by regulation promulgated by the director for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners 1980 Standard Ordinary

Mortality Table with or without Ten-Year Select Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table;

(g) **For policies issued on or after the operative date of the valuation manual, the valuation manual shall provide the mortality table for use in determining the minimum nonforfeiture standard that may be substituted for the Commissioners 1980 Standard Ordinary Mortality Table with or without Ten-Year Select Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table. If the director approves by regulation any ordinary mortality table adopted by the NAIC for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual, such minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual;**

(h) For policies issued prior to the operative date of the valuation manual, any industrial mortality tables, adopted after 1980 by the **[**National Association of Insurance Commissioners**]** **NAIC**, that are approved by regulation promulgated by the director for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners 1961 Standard Industrial Mortality Table or for the Commissioners 1961 Industrial Extended Term Insurance Table;

(i) For policies issued on or after the operative date of the valuation manual, the valuation manual shall provide the mortality table for use in determining the minimum nonforfeiture standard that may be substituted for the Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961 Industrial Extended Term Insurance Table. If the director approves by regulation any industrial mortality table adopted by the NAIC for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual, such minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual.

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

(a) For policies issued prior to the operative date of the valuation manual, the nonforfeiture rate per annum for any policy issued in a particular calendar year shall be equal to one hundred twenty-five percent of the calendar year statutory valuation interest rate for such policy as defined in section 376.380 rounded to the nearer one-quarter of one percent;

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

(11) Notwithstanding any other provision of law to the contrary, any refiling of nonforfeiture values or their methods of computation for any previously approved policy form which involves only a change in the interest rate or mortality table used to compute nonforfeiture values shall not require refiling of any other provisions of that policy form**[**;**]**.

(12) After the effective date of this subsection, any company may file with the director a written notice of its election to comply with the provisions of this subsection after a specified date before January 1, 1989, which shall be the operative date of this subsection for such company. If a company makes no such election, the operative date of this subsection for such company shall be January 1, 1989.

[10c.**]** **15.** In the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurance company based on then estimates of future experience, or in the case of any plan of life insurance which is of such a nature that minimum values cannot be determined by the methods described in subsections 1 to **[**10b**]** **14** of this section, then:

(1) The director must be satisfied that the benefits provided under the plan are substantially as favorable to policyholders and insureds as the minimum benefits otherwise required by subsections 1 to **[**10b**]** **14** of this section;

(2) The director must be satisfied that the benefits and the pattern of premiums of that plan are not such as to mislead prospective policyholders or insureds;

(3) The cash surrender values and paid-up nonforfeiture benefits provided by the plan must not be less than the minimum values and benefits required for the plan computed by a method consistent with the principles of this section, as determined by regulations promulgated by the director.

[11.**]** **16.** Any cash surrender value and any paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in subsections **[**4, 5, 6, 7, 8, 8a, 9, 10, 10a and 10b**]** **5, 6, 7, 8, 9, 10, 11, 12, 13, and 14** of this section may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the amounts used to provide such additions.

[12.] **17.** Notwithstanding the provisions of subsection [4] **5 of this section**, additional benefits payable:

(1) In the event of death or dismemberment by accident or accidental means;

(2) In the event of total and permanent disability;

(3) As reversionary annuity or deferred reversionary annuity benefits;

(4) As term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply;

(5) As term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if such term insurance expires before the child's age is twenty-six, is uniform in amount after the child's age is one, and has not become paid up by reason of the death of a parent of the child; and

(6) As other policy benefits additional to life insurance and endowment benefits, and premiums for all such additional benefits; shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

[12a.] **18.** (1) This subsection, in addition to all other applicable subsections of this section, shall apply to all policies issued on or after January 1, 1986. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary shall be in an amount which does not differ by more than two-tenths of one percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years, from the sum of the greater of zero and the basic cash value hereinafter specified and the present value of any existing paid-up additions less the amount of any indebtedness to the company under the policy.

(2) The basic cash value shall be equal to the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy, excluding any existing paid-up additions and before deduction of any indebtedness to the company, if there had been no default, less the then present value of the nonforfeiture factors, as defined in subdivision (3) of this subsection, corresponding to premiums which would have fallen due on and after such anniversary. The effects on the basic cash value of supplemental life insurance or annuity benefits or of family coverage, as described in subsection [4] **5** of this section or in subsections [6, 7, 8, 8a and 9] **7, 8, 9, 10, and 11** of this section, whichever is

applicable, shall be the same as are the effects specified in subsection [4] **5** of this section or in subsections [6, 7, 8, 8a and 9] **7, 8, 9, 10, and 11** of this section, whichever is applicable on the cash surrender values defined in that subsection.

(3) The nonforfeiture factor for each policy year shall be an amount equal to a percentage of the adjusted premium for the policy year, as defined in subsections [6, 7, 8, 8a and 9] **7, 8, 9, 10, and 11** of this section or in subsection [10b] **14** of this section, whichever is applicable. Except as is required by subdivision (4) of this subsection, such percentage:

(a) Must be the same percentage for each policy year between the second policy anniversary and the later of the fifth policy anniversary or the first policy anniversary at which there is available under the policy a cash surrender value in an amount, before including any paid-up additions and before deducting any indebtedness, of at least two-tenths of one percent of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years; and

(b) Must be such that no percentage after the later of the two policy anniversaries specified in paragraph (a) of this subdivision may apply to fewer than five consecutive policy years. No basic cash value may be less than the value which would be obtained if the adjusted premiums for the policy, as defined in subsections [6, 7, 8, 8a and 9] **7, 8, 9, 10, and 11** of this section or in subsection [10b] **14** of this section, whichever is applicable, were substituted for the nonforfeiture factors in the calculation of the basic cash value.

(4) All adjusted premiums and present values referred to in this subsection shall for a particular policy be calculated on the same mortality and interest bases as are used in demonstrating the policy's compliance with the other subsections of this section. The cash surrender values referred to in this subsection shall include any endowment benefits provided for by the policy.

(5) Any cash surrender value available other than in the event of default in a premium payment due on a policy anniversary, and the amount of any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment shall be determined in manners consistent with the manners specified for determining the analogous minimum amounts in subsections [3, 4, 5, 10b and 11] **4, 5, 6, 14, and 16** of this section. The amounts of any cash surrender values and of any paid-up nonforfeiture benefits granted in connection with additional benefits such as those listed as subdivisions (1) to (6) in subsection [12] **17** shall conform with the principles of this subsection.

[13.] **19.** (1) This section shall not apply to any of the following:

(a) Reinsurance;

(b) Group insurance;

(c) Pure endowments;

(d) Annuities or reversionary annuity contracts;

(e) Term policies of uniform amounts, which provide no guaranteed nonforfeiture or endowment benefits, or renewals thereof of twenty years or less expiring before age seventy-one, for which uniform premiums are payable during the entire term of the policy;

(f) Term policies of decreasing amounts, which provide no guaranteed nonforfeiture or endowment benefits, on which each adjusted premium calculated as specified in subsections [6, 7, 8, 8a, 9, 10, 10a, and 10b] **7, 8, 9, 10, 11, 12, 13, and 14 of this section** is less than the adjusted premium so calculated on a term policy of uniform amount, or renewal thereof, which provides no guaranteed nonforfeiture or endowment benefits, issued at the same age and for the same initial amount of insurance, and for a term of twenty years or less expiring before age seventy-one, for which uniform premiums are payable during the entire term of the policy;

(g) Policies, which provide no guaranteed nonforfeiture or endowment benefits, for which no cash surrender value, if any, or present value of any paid-up nonforfeiture benefit, at the beginning of any policy year, calculated as specified in subsections [4 to 10b] **5 to 14** of this section, exceeds two and one-half percent of the amount of insurance at the beginning of the same policy year;

(h) Policies which shall be delivered outside this state through an agent or other representative of the company issuing the policies.

(2) For purposes of determining the applicability of this section, the expiration date for a joint term life insurance policy shall be the age at expiry of the oldest life.

[14.] **20.** After the effective date of this section, any company may file with the director a written notice of its election to comply with the provisions of this section after a specified date before January 1, 1948. After the filing of such notice, then upon such specified date, which shall be the operative date for such company, this section shall become operative with respect to the policies thereafter issued by such company. If a company makes no such election, the operative date of this section for such company shall be January 1, 1948.

456.950. 1. As used in this section, "qualified spousal trust" means a trust:

(1) The settlors of which are [husband and wife] **married to each other** at

the time of the creation of the trust; and

(2) The terms of which provide that during the joint lives of the settlors all property [or interests in property] transferred to, or held by, the trustee are:

(a) Held and administered in one trust for the benefit of both settlors, revocable by either **settlor** or both settlors [acting together] while either or both are alive, and each settlor having the right to receive distributions of income or principal, whether mandatory or within the discretion of the trustee, from the entire trust for the joint lives of the settlors and for the survivor's life; or

(b) Held and administered in two separate shares of one trust for the benefit of each of the settlors, with the trust revocable by each settlor with respect to that settlor's separate share of that trust without the participation or consent of the other settlor, and each settlor having the right to receive distributions of income or principal, whether mandatory or within the discretion of the trustee, from that settlor's separate share for that settlor's life; or

(c) Held and administered under the terms and conditions contained in paragraphs (a) and (b) of this subdivision.

2. A qualified spousal trust may contain any other trust terms that are not inconsistent with the provisions of this section**, including, without limitation, a discretionary power to distribute trust property to a person in addition to a settlor.**

3. [Any property or interests in property that are at any time transferred to the trustee of a qualified spousal trust of which the husband and wife are the settlors, shall thereafter be administered as provided by the trust terms in accordance with paragraph (a), (b), or (c) of subdivision (2) of subsection 1 of this section. All trust property and interests in property that is deemed for purposes of this section to be held as tenants by the entirety, including the proceeds thereof, the income thereon, and any property into which such property, proceeds, or income may be converted, shall have the same immunity from the claims of the separate creditors of the settlors as would have existed if the settlors had continued to hold that property as husband and wife as tenants by the entirety. Property or interests in property held by a husband and wife as tenants by the entirety or as joint tenants or other form of joint ownership with right of survivorship shall be conclusively deemed for purposes of this section to be held as tenants by the entirety upon its transfer to the qualified spousal trust. All such transfers shall retain said immunity, so long as:

(1) Both settlors are alive and remain married; and

(2) The property, proceeds, or income continue to be held in trust by the trustee of the qualified spousal trust**] All property at any time held in a qualified spousal trust, without regard to how such property was titled prior to it being so held, shall have the same immunity from the claims of a separate creditor of either settlor as if such property were held outside the trust by the settlors as tenants by the entirety, unless otherwise provided in writing by the settlor or settlors who transferred such property to the trust, and such property shall be treated for that purpose, including without limitation, federal and state bankruptcy laws, as tenants by entirety property. Property held in a qualified spousal trust shall cease to receive immunity from the claims of creditors upon the dissolution of marriage of the settlors by a court**.

4. **[**Property or interests in property held by a husband and wife or held in the sole name of a husband or wife that are not held as tenants by the entirety or deemed held as tenants by the entirety for purposes of this section and are transferred to a qualified spousal trust shall be held as directed in the qualified spousal trust's governing instrument or in the instrument of transfer and the rights of any claimant to any interest in that property shall not be affected by this section**] As used in this section, "property" means any interest in any type of property held in a qualified spousal trust, the income thereon, and any property into which such interest, proceeds, or income may be converted**.

5. Upon the death of each settlor, all property **[**and interests in property**]** held by the trustee of the qualified spousal trust shall be distributed as directed by the then current terms of the governing instrument of such trust. Upon the death of the first settlor to die, if immediately prior to death the predeceased settlor's interest in the qualified spousal trust was then held in such settlor's separate share, the property **[**or interests in property**] held** in such settlor's separate share may pass into an irrevocable trust for the benefit of the surviving settlor upon such terms as the governing instrument shall direct, including without limitation a spendthrift provision as provided in section 456.5-502.

6. **The respective rights of settlors who are married to each other in any property for purposes of a dissolution of the settlors' marriage shall not be affected or changed by reason of the transfer of that property to, or its subsequent administration as an asset of, a qualified spousal trust during the marriage of the settlors, unless both settlors expressly agree otherwise in writing.**

7. No transfer [by a husband and wife as settlors] to a qualified spousal trust shall [affect or change either settlor's marital property rights to the transferred property or interest therein immediately prior to such transfer in the event of dissolution of marriage of the spouses, unless both spouses otherwise expressly agree in writing] **avoid or defeat the Missouri uniform transfer act in chapter 428**.

[7.] **8.** This section shall apply to all trusts which fulfill the criteria set forth in this section for a qualified spousal trust regardless of whether such trust was created before**, on,** or after August 28, 2011.

456.1-113. Any transfer of an asset to a trustee of a trust, to such trust itself, or to a share of such trust, in a manner that is reasonably calculated to identify such trust or that share of such trust, subjects that asset to the terms of such trust or that share.

513.430. 1. The following property shall be exempt from attachment and execution to the extent of any person's interest therein:

(1) Household furnishings, household goods, wearing apparel, appliances, books, animals, crops or musical instruments that are held primarily for personal, family or household use of such person or a dependent of such person, not to exceed three thousand dollars in value in the aggregate;

(2) A wedding ring not to exceed one thousand five hundred dollars in value and other jewelry held primarily for the personal, family or household use of such person or a dependent of such person, not to exceed five hundred dollars in value in the aggregate;

(3) Any other property of any kind, not to exceed in value six hundred dollars in the aggregate;

(4) Any implements or professional books or tools of the trade of such person or the trade of a dependent of such person not to exceed three thousand dollars in value in the aggregate;

(5) Any motor vehicles, not to exceed three thousand dollars in value in the aggregate;

(6) Any mobile home used as the principal residence but not attached to real property in which the debtor has a fee interest, not to exceed five thousand dollars in value;

(7) Any one or more unmatured life insurance contracts owned by such person, other than a credit life insurance contract**, and up to fifteen thousand dollars of any matured life insurance proceeds for actual funeral, cremation, or burial expenses where the deceased is the spouse, child, or**

parent of the beneficiary;

(8) The amount of any accrued dividend or interest under, or loan value of, any one or more unmatured life insurance contracts owned by such person under which the insured is such person or an individual of whom such person is a dependent; provided, however, that if proceedings under Title 11 of the United States Code are commenced by or against such person, the amount exempt in such proceedings shall not exceed in value one hundred fifty thousand dollars in the aggregate less any amount of property of such person transferred by the life insurance company or fraternal benefit society to itself in good faith if such transfer is to pay a premium or to carry out a nonforfeiture insurance option and is required to be so transferred automatically under a life insurance contract with such company or society that was entered into before commencement of such proceedings. No amount of any accrued dividend or interest under, or loan value of, any such life insurance contracts shall be exempt from any claim for child support. Notwithstanding anything to the contrary, no such amount shall be exempt in such proceedings under any such insurance contract which was purchased by such person within one year prior to the commencement of such proceedings;

(9) Professionally prescribed health aids for such person or a dependent of such person;

(10) Such person's right to receive:

(a) A Social Security benefit, unemployment compensation or a public assistance benefit;

(b) A veteran's benefit;

(c) A disability, illness or unemployment benefit;

(d) Alimony, support or separate maintenance, not to exceed seven hundred fifty dollars a month;

(e) Any payment under a stock bonus plan, pension plan, disability or death benefit plan, profit-sharing plan, nonpublic retirement plan or any plan described, defined, or established pursuant to section 456.014, the person's right to a participant account in any deferred compensation program offered by the state of Missouri or any of its political subdivisions, or annuity or similar plan or contract on account of illness, disability, death, age or length of service, to the extent reasonably necessary for the support of such person and any dependent of such person unless:

a. Such plan or contract was established by or under the auspices of an insider that employed such person at the time such person's rights under such plan or contract arose;

b. Such payment is on account of age or length of service; and

c. Such plan or contract does not qualify under Section 401(a), 403(a), 403(b), 408, 408A or 409 of the Internal Revenue Code of 1986, as amended, (26 U.S.C. Section 401(a), 403(a), 403(b), 408, 408A or 409);

except that any such payment to any person shall be subject to attachment or execution pursuant to a qualified domestic relations order, as defined by Section 414(p) of the Internal Revenue Code of 1986, as amended, issued by a court in any proceeding for dissolution of marriage or legal separation or a proceeding for disposition of property following dissolution of marriage by a court which lacked personal jurisdiction over the absent spouse or lacked jurisdiction to dispose of marital property at the time of the original judgment of dissolution;

(f) Any money or assets, payable to a participant or beneficiary from, or any interest of any participant or beneficiary in, a retirement plan, profit-sharing plan, health savings plan, or similar plan, including an inherited account or plan, that is qualified under Section 401(a), 403(a), 403(b), 408, 408A or 409 of the Internal Revenue Code of 1986, as amended, whether such participant's or beneficiary's interest arises by inheritance, designation, appointment, or otherwise, except as provided in this paragraph. Any plan or arrangement described in this paragraph shall not be exempt from the claim of an alternate payee under a qualified domestic relations order; however, the interest of any and all alternate payees under a qualified domestic relations order shall be exempt from any and all claims of any creditor, other than the state of Missouri through its department of social services. As used in this paragraph, the terms "alternate payee" and "qualified domestic relations order" have the meaning given to them in Section 414(p) of the Internal Revenue Code of 1986, as amended. If proceedings under Title 11 of the United States Code are commenced by or against such person, no amount of funds shall be exempt in such proceedings under any such plan, contract, or trust which is fraudulent as defined in subsection 2 of section 428.024 and for the period such person participated within three years prior to the commencement of such proceedings. For the purposes of this section, when the fraudulently conveyed funds are recovered and after, such funds shall be deducted and then treated as though the funds had never been contributed to the plan, contract, or trust;

(11) The debtor's right to receive, or property that is traceable to, a payment on account of the wrongful death of an individual of whom the debtor was a dependent, to the extent reasonably necessary for the support of the debtor and any dependent of the debtor.

2. Nothing in this section shall be interpreted to exempt from attachment or execution for a valid judicial or administrative order for the payment of child support or maintenance any money or assets, payable to a participant or beneficiary from, or any interest of any participant or beneficiary in, a retirement plan which is qualified pursuant to Section 408A of the Internal Revenue Code of 1986, as amended.

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