



STATE OF CONNECTICUT
INSURANCE DEPARTMENT

Bulletin No. FS-31
June 30, 2016

**TO: ALL INSURANCE COMPANIES WRITING LIFE INSURANCE,
ACCIDENT AND HEALTH INSURANCE AND DEPOSIT-TYPE
CONTRACTS.**

**SUBJECT: 2017 Operative Date of the Principle-Based Reserving Valuation
Manual**

The purpose of this bulletin is to announce that the Insurance Commissioner has certified to the Governor of the State of Connecticut that statutory requirements have been met for the implementation of a new valuation manual (Valuation Manual) adopted by the National Association of Insurance Commissioners (NAIC) setting forth the minimum reserve and related requirements with respect to principle-based valuation, to be operative as of January 1, 2017 for life insurance, accident and health insurance and deposit-type contracts written on or after such operative date.

The Connecticut Standard Valuation Law (SVL), Conn. Gen. Stat. §§ 38a-77, 38a-78 and 38a-78a, establishes a principle-based methodology that is applicable, subject to specified exceptions, to life insurance contracts¹, accident and health insurance contracts², and deposit-type contracts³ written on or after the "operative date" of the Valuation Manual.

To enable uniform and simultaneous implementation of principle-based reserving by participating states, the SVL provides that the Valuation Manual will only become operative when a sufficient number of states have adopted substantially similar laws before July 1 of the preceding year. Pursuant to Conn. Gen. Stat. § 38a-78a(a)(1), the operative date of the Valuation Manual shall be January first of the first calendar year following the first July first as of which all of the following events have occurred:

¹ Pursuant to Conn. Gen. Stat. § 38a-78(a)(2)(B)(v), "Life insurance contract" means a policy or contract that incorporates mortality risk and as may be specified in the Valuation Manual. "Life insurance contract" includes annuity and pure endowment contracts.

² Pursuant to Conn. Gen. Stat. § 38a-78(a)(2)(B)(i), "Accident and health insurance contract" means a policy or contract that incorporates morbidity risk and provides protection against economic loss resulting from accident sickness or medical conditions as may be specified in the Valuation Manual.

³ Pursuant to Conn. Gen. Stat. § 38a-78(a)(2)(B)(iv), "Deposit-type contract" means a policy or contract that does not incorporate mortality or morbidity risk and as may be specified in the Valuation Manual and NAIC Accounting Practices and Procedures Manual.

(A) The Valuation Manual has been adopted by the NAIC . . . by an affirmative vote of at least forty-two NAIC members or three-quarters of NAIC 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 per cent of the direct premiums written as reported in the following annual statements submitted to the NAIC for 2008: Life insurance, accident and health insurance; health insurance or fraternal annual statements; and

(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, the District of Columbia, the United States Virgin Islands, the Commonwealth of Puerto Rico, American Samoa and Guam.

The NAIC adopted the Valuation Manual on December 2, 2012, with forty-three members voting in the affirmative. This year, the number of states adopting principle-based valuation at the state level has also reached the specified supermajority. As of this date, forty-five states, including Connecticut, have advised the NAIC that they have enacted laws substantially similar to the NAIC model SVL, as amended by the NAIC in 2009, including language using the same three triggers to define the operative date, and these states represent more than seventy-nine per cent of the applicable premium volume. On June 10, 2016, after conducting an extensive analysis of these states' laws, the members of the NAIC voted unanimously to recognize that all three triggers defining the operative date have been satisfied.

Accordingly, I have determined that all of the events set forth in Conn. Gen. Stat. § 38a-78a(a)(1) have occurred and thus, I have this day, in accordance with Conn. Gen. Stat. § 38a-78a(a)(2) certified such fact to the Governor of the State of Connecticut. Accordingly, the operative date of the NAIC Valuation Manual, for purposes of the Connecticut Standard Valuation Law, is January 1, 2017.



Katharine L. Wade
Insurance Commissioner