

CHAPTER 508

LIFE INSURANCE COMPANIES

Referred to in §87.4, 235F.1, 296.7, 331.301, 364.4, 423.3, 505.28, 505.29, 506.14, 507.1, 507.12, 507B.4C, 508A.1, 508A.5, 508B.1, 509.5, 510.11, 511.8(1)(m), 511.26, 514A.1, 514G.103, 515.1, 515B.2, 515B.9, 518C.10, 521.1, 521A.1, 521A.14, 521E.1, 521F.2, 521I.1, 522B.1, 522F.1, 533C.103, 535.8, 669.14, 670.7

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508.1 Level premium and natural premium plan companies.

Every life insurance company upon the level premium or the natural premium plan, created under the laws of this or any other state or country, shall, before issuing policies in the state, comply with the provisions of [this chapter](#) applicable to such companies.

[C73, §1161; C97, §1768; S13, §1768; C24, 27, 31, 35, 39, §8643; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.1]

508.2 Articles — approval — bylaws.

The articles of incorporation, and any subsequent amendments, of a company shall be filed with and approved by the commissioner of insurance before filing with the secretary of state. A company shall file with the commissioner bylaws and subsequent amendments to the bylaws within thirty days of adoption of the bylaws and amendments.

[S13, §1768; C24, 27, 31, 35, 39, §8644; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.2]
[2009 Acts, ch 145, §5](#)

Referred to in §508.4

508.3 Requirements of articles.

Such articles shall show the name, location of principal place of business, object, amount of capital, if a stock company, and shall contain such other provisions as may be necessary to a full understanding of the nature of the business to be transacted and the plan upon which the same is to be conducted.

[S13, §1768; C24, 27, 31, 35, 39, §8645; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.3]

508.4 Approval of amendments to articles — bylaws.

1. All amendments to the articles of incorporation of companies already organized under the laws of this state shall be approved in the same manner as provided in [section 508.2](#).

2. A company shall file with the commissioner bylaws and subsequent amendments to such bylaws within thirty days of the adoption of such bylaws and amendments.

[C97, §1768; C24, 27, 31, 35, 39, §8646; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.4] [2000 Acts, ch 1023, §7](#); [2018 Acts, ch 1041, §127](#); [2019 Acts, ch 59, §181](#)

508.5 Capital and surplus required.

1. A stock life insurance company shall not be authorized to transact business under [this chapter](#) with less than five million dollars of capital and surplus paid in cash or invested as provided by law. A stock life insurance company shall not increase its capital stock unless the amount of the increase is fully paid in cash. A stock life insurance company authorized to do business in Iowa that undergoes a change of control as defined under [chapter 521A](#) shall maintain the minimum capital and surplus requirements mandated by [this section](#).

2. Notwithstanding [subsection 1](#), a stock life insurance company, or any other life insurance company authorized to transact business under [this chapter](#), shall comply with the minimum capital and surplus requirements of [this chapter](#) or [chapter 521E](#), whichever is greater.

[C73, §1162; C97, §1769; C24, 27, 31, 35, 39, §8647; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.5]

[90 Acts, ch 1234, §5](#); [95 Acts, ch 185, §7](#); [96 Acts, ch 1046, §1, 21](#); [98 Acts, ch 1057, §3](#)

Referred to in [§508.9, 508.33A](#)

508.6 Deposit of securities — certificate. Repealed by 2024 Acts, ch 1042, §10.**508.7 Loans to officers.**

Except as permitted in [sections 508.8](#) and [508.8A](#), the capital or other funds shall not be loaned directly or indirectly to an officer, director, stockholder, or employee of the company or directly or indirectly to a relative of an officer or director of the company.

[C73, §1162; C97, §1769; C24, 27, 31, 35, 39, §8649; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.7; [81 Acts, ch 166, §1](#)]

[91 Acts, ch 213, §4](#)

508.8 Insurance company officers — conflicts of interest — exceptions.

1. As used in [this section](#), “employee” includes but is not limited to the officers of a life insurance company.

2. A director or officer of a life insurance company shall not receive, in addition to fixed salary or compensation, money or other valuable thing, either directly or indirectly, or through a substantial interest in another corporation or business unit, for negotiating, procuring, recommending or aiding in the purchase or sale of property, or loan, made by the insurer or an affiliate or subsidiary of the insurer; nor shall a director or officer be pecuniarily interested, either as principal, coprincipal, agent or beneficiary, either directly or indirectly, or through a substantial interest in another corporation or business unit, in the purchase, sale or loan. However, a life insurance company, in connection with the relocation of the place of employment of an employee including relocation upon the initial employment of the employee, may do either of the following:

a. Make a mortgage loan on real property owned by the employee which is to serve as the employee’s dwelling.

b. Acquire at not more than fair market value the dwelling which the employee vacates upon relocation.

[C24, 27, 31, 35, 39, §8650; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.8; [81 Acts, ch 166, §2](#)]

[2012 Acts, ch 1023, §103](#)

Referred to in [§508.7](#)

508.8A Loans to employees.

1. A life insurance company having a ratio of statutory surplus to admitted assets of at least four percent may make, acquire, and hold loans to employees, officers, and directors under the following terms and conditions:

a. The company may make a mortgage loan on real property owned by an employee of the company which is to serve as the employee's dwelling, provided the company is regularly and actively involved in making residential mortgage loans to the public.

b. The company may acquire a mortgage loan on real property owned by an employee of the company which is to serve as the employee's dwelling, provided the company acquiring such loan is regularly and actively involved in acquiring residential mortgage loans not involving employees from sources in the secondary market.

c. The company may acquire a mortgage loan on real property owned by an employee, officer, or director which is included in a portfolio of mortgages initiated by others and acquired by the life insurance company. The mortgage loans in any such acquired portfolio of mortgage loans must satisfy both of the following conditions:

(1) More than seventy-five percent of the dollar value of the mortgage loans must be for real property that is owned by persons who are not employees, officers, or directors of the company.

(2) More than seventy-five percent of the mortgage loans must be for real property that is owned by persons who are not employees, officers, or directors of the company.

d. The company may continue to hold a mortgage loan on real estate which is assumed by an employee, officer, or director if the mortgage was originally properly made or acquired by the life insurance company, provided that all terms and conditions of the mortgage loan remain unchanged and the mortgage loan is serviced in accordance with customary servicing practices of prudent lending institutions.

e. The company may continue to hold a mortgage on real estate owned by an officer or director which was properly made or acquired by the company before the officer or director became an officer or director of the company, provided that all terms and conditions of the mortgage loan remain unchanged and the mortgage loan is serviced in accordance with customary servicing practices of prudent lending institutions.

2. As used in [this section](#), "employee" does not include officers or directors of a life insurance company.

[91 Acts, ch 213, §5](#)

Referred to in [§508.7](#)

508.9 Mutual companies — conditions.

1. Level premium and natural premium life insurance companies organized under the laws of this state upon the mutual plan shall, before issuing policies, have actual applications on at least two hundred and fifty lives for an average amount of one thousand dollars each. A list of the applications giving the name, age, residence, amount of insurance, and annual premium of each applicant shall be filed with the commissioner of insurance, and a deposit made with the commissioner of an amount equal to three-fifths of the whole annual premium on the applications, in cash or the securities required by [section 508.5](#). In addition, a deposit of cash or securities of the character provided by law for the investment of funds for life insurance companies in the sum of five million dollars shall be made with the commissioner, which shall constitute a security fund for the protection of policyholders. The contribution to the security fund shall not give to contributors to the fund or to other persons any voting or other power in the management of the affairs of the company. The security fund may be repaid to the contributors to the security fund with interest at six percent from the date of contribution, at any time, in whole or in part, if the repayment does not reduce the surplus of the company below the amount of five million dollars and then only if consent in writing for the repayment is obtained from the commissioner of insurance. Upon compliance with [this section](#), the commissioner shall issue to the mutual company the certificate prescribed in [this chapter](#). A mutual insurance company authorized to do business in Iowa that undergoes a change of control as defined in [chapter 521A](#) shall maintain the minimum surplus requirement mandated by [this section](#).

2. Notwithstanding [subsection 1](#), a mutual insurance company authorized to transact business under [this chapter](#) shall comply with the minimum surplus requirements of [this section](#) or [chapter 521E](#), whichever is greater.

[C73, §1163; C97, §1770; C24, 27, 31, 35, 39, §8651; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.9]

[90 Acts, ch 1234, §6; 92 Acts, ch 1162, §4; 95 Acts, ch 185, §8; 96 Acts, ch 1046, §2](#)

508.10 Foreign companies — capital or surplus — investments.

1. A company incorporated by or organized under the laws of any other state or government shall not transact business in this state unless it is possessed of the actual amount of capital and surplus required of any company organized by the laws of this state, or, if it be a mutual company, of surplus equal in amount thereto.

2. An alien insurer, with the approval of the commissioner, may be treated as a domestic insurer of this state in whole or in part, and if so approved is deemed to be organized under the laws of this state and is an Iowa domestic insurer as provided by rules adopted by the commissioner. The approval of the commissioner may be based upon such factors as:

a. Maintenance of an appropriate trust account, surplus account, or other financial mechanism in this state.

b. Maintenance of all books and records of United States operations in this state.

c. Maintenance of a separate financial reporting system for its United States operations.

d. Any other provisions deemed necessary by the commissioner.

3. A foreign company authorized to do business in this state shall not assumptively reinsure a block of business which includes policyholders residing in this state to a company not authorized to do business in this state without the prior written approval of the commissioner.

[C73, §1164; C97, §1772; C24, 27, 31, 35, 39, §8652; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.10]

[90 Acts, ch 1234, §69; 92 Acts, ch 1244, §47; 97 Acts, ch 186, §6; 2003 Acts, ch 145, §286; 2007 Acts, ch 137, §9](#)

508.11 Annual statement.

The president or vice president and secretary or actuary, or a majority of the directors of each company organized under [this chapter](#), shall annually, on or before the first day of March, prepare under oath and file in the office of the commissioner of insurance or a depository designated by the commissioner a statement of its affairs for the year terminating on the thirty-first day of December preceding, showing:

1. The name of the company and where located.

2. The names of officers.

3. The amount of capital, if a stock company.

4. The amount of capital paid in, if a stock company.

5. The value of real estate owned by the company.

6. The amount of cash on hand.

7. The amount of cash deposited in banks, giving the name of the bank or banks.

8. The amount of cash in the hands of agents, and in the course of transmission.

9. The amount of bank stock, with the name of each bank, giving par and market value of the same.

10. The amount of bonds of the United States, and all other bonds and securities, giving names and amounts, with the par and market value of each kind.

11. The amount of loans secured by first mortgage on real estate, and where such real estate is situated.

12. The amount of all other bonds, loans, how secured, and the rate of interest.

13. The amount of premium notes and their value on policies in force, if a mutual company.

14. The amount of notes given for unpaid stock, and their value in detail, if a stock company.

15. The amount of assessments unpaid on stock or premium notes.

16. The amount of interest due and unpaid.

17. The amount of all other securities.
 18. The amount of losses due and unpaid.
 19. The amount of losses adjusted but not due.
 20. The amount of losses unadjusted.
 21. The amount of claims for losses resisted.
 22. The amount of money borrowed and evidences thereof.
 23. The amount of dividends unpaid on stock.
 24. The amount of dividends unpaid on policies.
 25. The amount required to safely reinsure all outstanding risks.
 26. The amount of all other claims against the company.
 27. The amount of net cash premiums received.
 28. The amount of notes received for premiums.
 29. The amount of interest received from all sources.
 30. The amount received from all other sources.
 31. The amount paid for losses.
 32. The amount of dividends paid to policyholders, and the amount to stockholders, if a stock company.
 33. The amount of commissions and salaries paid to agents.
 34. The amount paid to officers for salaries and other compensation.
 35. The amount paid for taxes.
 36. The amount of all other payments and expenditures.
 37. The greatest amount insured on any one life.
 38. The amount deposited in other states or territories as security for policyholders therein, stating the amount in each state or territory.
 39. The amount of premiums received in this state during the year.
 40. The amount paid for losses in this state during the year.
 41. The whole number of policies issued during the year, with the amount of insurance effected thereby, and total amount of risk.
 42. All other items of information necessary to enable the commissioner of insurance to correctly estimate the cash value of policies, or to judge of the correctness of the valuation thereof.
 43. All other information as required by the national association of insurance commissioners' annual statement blank. The annual statement blank shall be prepared in accordance with instructions prescribed by the commissioner. All financial information reflected in the annual report shall be kept and prepared in accordance with accounting practices and procedures prescribed by the commissioner. The commissioner may adopt by reference the annual statement handbook and the accounting practices and procedures manual of the national association of insurance commissioners.
- [C73, §1167; C97, §1773; C24, 27, 31, 35, 39, §8653; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.11]

[91 Acts, ch 26, §36; 2003 Acts, ch 91, §6](#)

Referred to in [§508.14](#), [511.8\(10\)\(a\)](#)

508.12 Redomestication of insurers.

1. An insurer which is organized under the laws of any state and has created or will create jobs in this state or which is an affiliate or subsidiary of a domestic insurer, and is admitted to do business in this state for the purpose of writing insurance authorized by [this chapter](#) may become a domestic insurer by complying with [section 490.905](#) or [491.33](#) and with all of the requirements of law relative to the organization and licensing of a domestic insurer of the same type and by designating its principal place of business in this state may become a domestic corporation and be entitled to like certificates of its corporate existence and license to transact business in this state, and be subject in all respects to the authority and jurisdiction thereof.

2. The certificates of authority, agent's appointments and licenses, rates, and other items which are in existence at the time any insurer transfers its corporate domicile to this state, pursuant to [this section](#), shall continue in full force and effect upon such transfer. For

purposes of existing authorizations and all other corporate purposes, the insurer is deemed the same entity as it was prior to the transfer of its domicile. All outstanding policies of any transferring insurer shall remain in full force and effect and need not be endorsed as to any new name of the company or its new location unless so ordered by the commissioner of insurance.

[C75, 77, 79, 81, §508.12]

[88 Acts, ch 1112, §503](#); [89 Acts, ch 288, §191](#); [2011 Acts, ch 66, §1](#); [2021 Acts, ch 165, §226, 230](#)

Referred to in [§508B.1](#)

508.13 Annual certificate of authority.

1. On receipt of an application for a certificate of authority or renewal of a certificate of authority, the appropriate fees, and the statement and evidence of investment of foreign companies, the commissioner of insurance shall issue a certificate or a renewal of a certificate setting forth the corporate name of the company, its home office, that it has fully complied with the laws of the state and is authorized to transact the business of life insurance for the ensuing year, which certificate shall expire on the first day of June of the ensuing year, or sooner upon thirty days' notice given by the commissioner, of the next annual valuation of its policies.

2. A company shall submit annually on or before March 1 a completed application for renewal of its certificate of authority. A certificate of authority shall expire on the first day of June next succeeding its issue and shall be renewed annually so long as the company transacts business in accordance with all legal requirements of the state.

3. A company that fails to timely file an application for renewal of its certificate of authority shall pay an administrative penalty of five hundred dollars to the treasurer of state for deposit as provided in [section 505.7](#).

4. A copy of a certificate of authority, when certified by the commissioner, shall be admissible in evidence for or against a company, with the same effect as the original.

[C73, §1170; C97, §1775; C24, 27, 31, 35, 39, [§8657](#); C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.13]

[88 Acts, ch 1112, §103](#); [2006 Acts, ch 1117, §31](#); [2009 Acts, ch 181, §66](#); [2023 Acts, ch 36, §1](#)

508.14 Violation by domestic company — dissolution — administrative penalties.

1. Upon failure of a company organized under the laws of this state to file the statement in the time stated in [section 508.11](#), or to file in a timely manner any financial statement required by rule of the commissioner of insurance, the commissioner of insurance shall notify the attorney general of the default, and the attorney general shall apply to the district court of the county where the home office of the company is located for an order requiring the company to show cause, upon reasonable notice as determined by the court, why the company's business shall not be discontinued. If, upon the hearing, sufficient cause is not shown, the court shall decree the dissolution of the company.

2. In lieu of a district court action authorized by [this section](#), the commissioner may impose an administrative penalty of five hundred dollars upon the company. The right of the company to transact further new business in this state shall immediately cease until the requirements of [this chapter](#) have been fully complied with.

3. The commissioner may give notice to a company that has failed to file all of the company's delinquent statements within the required time that the company is in violation of [this section](#). If the company fails to file all of the company's delinquent statements within ten days of the date of the notice, the company shall be subject to an additional administrative penalty of one hundred dollars for each day the failure continues.

4. Amounts received by the commissioner pursuant to [subsections 2 and 3](#) shall be paid to the treasurer of state for deposit as provided in [section 505.7](#).

[C73, §1171; C97, §1776; C24, 27, 31, 35, 39, [§8658](#); C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.14]

[89 Acts, ch 321, §33](#); [97 Acts, ch 186, §7](#); [2009 Acts, ch 181, §67](#); [2020 Acts, ch 1063, §272](#); [2023 Acts, ch 36, §2](#)

508.15 Violation by foreign company.

Companies organized and chartered by the laws of a foreign state or country, failing to file the evidence of investment and statement within the time fixed, or failing to timely file any financial statement required by rule of the commissioner of insurance, shall forfeit and pay five hundred dollars, to be collected in an action in the name of the state and paid to the treasurer of state for deposit as provided in [section 505.7](#), and their right to transact further new business in this state shall immediately cease until the requirements of [this chapter](#) have been fully complied with. The commissioner may give notice to a company which has failed to file within the time fixed that the company is in violation of [this section](#) and if the company fails to file the evidence of investment and statement within ten days of the date of the notice the company shall forfeit and pay the additional sum of one hundred dollars for each day the failure continues, to be paid to the treasurer of state for deposit as provided in [section 505.7](#).

[C73, §1171; C97, §1776; C24, 27, 31, 35, 39, §8659; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.15]

[83 Acts, ch 185, §48, 62; 83 Acts, ch 186, §10105, 10201, 10204; 89 Acts, ch 321, §34; 91 Acts, ch 213, §6; 2009 Acts, ch 181, §68](#)

508.15A Suspension and summary suspension.

The commissioner may do one or more of the following:

1. For a violation of [Title XIII, subtitle 1](#), after a hearing provided pursuant to [chapter 17A](#), order the suspension of the license or authority to transact the business of insurance within the state.

2. Upon three days' notice, if the commissioner has reason to believe that there is imminent substantial risk to an insurer's solvency, order the insurer to appear before the commissioner and show cause why its license or authority to do insurance business within the state should not be suspended. At the hearing to show cause, the commissioner may summarily suspend the license or authority of the insurer to do business within the state.

3. Summarily order an insurer to cease and desist from a violation, anticipated violation, or suspected violation of [chapter 507B, 510, or 513A](#), if a hearing is provided pursuant to [chapter 17A](#) within thirty days of the summary cease and desist order.

[91 Acts, ch 213, §7](#)

508.16 Examination.

The commissioner of insurance at any time may make a personal examination of the books, papers, securities, and business of any life insurance company doing business in this state, or authorize any other suitable person to make the same, and the commissioner or the person so authorized may examine under oath any officer or agent of the company, or others, relative to its business and management.

[C73, §1172; C97, §1777; C24, 27, 31, 35, 39, §8660; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.16]

508.17 Reserved.**508.18 Decree.**

The court, on the final hearing, may make the decree subject to the provisions of [section 508.19](#) as to the appointment of a receiver, the disposition of the deposits of the company in the hands of the commissioner, and its dissolution, if a domestic company.

[C73, §1172; C97, §1777; C24, 27, 31, 35, 39, §8662; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.18]

[2019 Acts, ch 24, §77](#)

Referred to in [§507.12, 508.19](#)

508.19 Securities.

The securities that are on deposit of a defaulting or insolvent company, or a company against which proceedings are pending under [section 508.18](#), shall vest in the state for the benefit of all policyholders of the company.

[C73, §1173; C97, §1778; C24, 27, 31, 35, 39, §8663; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.19]

[85 Acts, ch 228, §2](#); [91 Acts, ch 26, §58](#)

Referred to in [§507.12](#), [508.18](#)

508.20 Reinsurance securities — title vested in commissioner.

The title to all securities deposited with the commissioner of insurance by any domestic life insurance company or association which has been, or hereafter shall be, reinsured by a foreign life insurance company, shall be vested in the commissioner for the use and benefit of only the policies of the company reinsured in force at the date of such reinsurance agreement.

[C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.20]

508.21 Amount to be deposited.

The reinsuring company shall at all times maintain such deposits in at least the amount of the net reserve, as determined by the commissioner of insurance, on all policies reinsured.

[C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.21]

508.22 Insolvency of company — procedure.

In the event of insolvency or receivership of such reinsuring company or its successors, the commissioner shall be appointed by the district court of the state in and for Polk county as receiver of said insolvent reinsuring company, and shall proceed, subject to the court's approval, to reinsure said policies in another life insurance company or to liquidate the deposits for the sole benefit of the reinsured policies, and pending liquidation or reinsurance, shall have the sole right to collect premiums due on such policies.

[C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.22]

508.23 and 508.24 Reserved.**508.25 Policy forms — approval.**

It shall be unlawful for any insurance company transacting business within this state, under the provisions of [this chapter](#), to write or use any form of policy or contract of insurance, on the life of any individual in this state, until a copy of such form of policy or contract has been filed with and approved by the commissioner of insurance.

[S13, §1783-a; C24, 27, 31, 35, 39, §8668; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.25]

508.26 Failure to file copy.

Should any company decline to file a copy of its form of policies or contracts, the commissioner of insurance shall suspend its authority to transact business within the state until such forms of policies or contracts have been so filed and approved.

[S13, §1783-c; C24, 27, 31, 35, 39, §8669; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.26]

508.27 Violations. Repealed by [2004 Acts, ch 1110, §71](#).**508.28 Approval by commissioner — contestability of policy.**

The commissioner of insurance shall decline to approve any such form of policy or contract of insurance unless the same shall, in all respects, conform to the laws of this state applicable thereto. The policy shall be incontestable after it shall have been in force during the lifetime of the insured for two years from its date, except for nonpayment of premiums.

[SS15, §1783-b; C24, 27, 31, 35, 39, §8671; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.28]

Referred to in [§514G.106](#)

508.29 Authority to write other insurance.

Any life insurance company organized on the stock or mutual plan, and that is authorized by the company's charter or articles of incorporation, may in addition to such life insurance, insure, either individually or on the group plan, the health of persons and against personal injuries, disablement or death, resulting from traveling or general accidents by land or water, and insure employers against loss in consequence of accidents or casualties of any kind to employees or other persons, or to property resulting from any act of the employee or any accident or casualty to persons or property, or both, occurring in or connected with transacting the employer's business, or from the operation of any machinery connected with transacting the employer's business, but nothing contained in [this section](#) shall be construed to authorize any life insurance company to insure against loss or injury to person, or property, or both, growing out of explosion or rupture of steam boilers. An insurer may contract with health care service providers and offer different levels of benefits to policyholders based upon the provider contracts.

[S13, §1783-d; C24, 27, 31, 35, 39, §8672; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.29]

[85 Acts, ch 239, §2; 92 Acts, ch 1162, §5; 2018 Acts, ch 1026, §156; 2023 Acts, ch 36, §3](#)
Referred to in [§508.31A](#)

508.30 Liability. Repealed by [2008 Acts, ch 1123, §56](#).**508.31 Annuities.**

Any life insurance company organized on the stock or mutual plan may grant and sell annuities.

[C35, §8673-e1; C39, §8673.1; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.31]

508.31A Funding agreements.

1. A life insurance company organized under [this chapter](#) may issue funding agreements. The issuance of a funding agreement under [this section](#) is deemed to be doing insurance business. For purposes of [this section](#), “*funding agreement*” means an agreement for an insurer to accept and accumulate funds and to make one or more payments at future dates in amounts that are not based on mortality or morbidity contingencies of the person to whom the funding agreement is issued. A funding agreement does not constitute life insurance, an annuity, or other insurance authorized by [section 508.29](#), and does not constitute a security as defined in [section 502.102](#).

2. a. Funding agreements may be issued to the following:

(1) A person authorized by a state or foreign country to engage in an insurance business or a subsidiary of such business.

(2) A person for the purpose of funding any of the following:

(a) Benefits under an employee benefit plan as defined in the federal Employee Retirement Income Security Act of 1974, 29 U.S.C. §1001 et seq., maintained in the United States or in a foreign country.

(b) Activities of an organization exempt from taxation pursuant to section 501(c) of the Internal Revenue Code, or any similar organization in any foreign country.

(c) A program of the United States government, another state government or political subdivision of such state, or of a foreign country, or any agency or instrumentality of any such government, political subdivision, or foreign country.

(d) An agreement providing for periodic payments in satisfaction of a claim.

(e) A program of an institution which has assets in excess of twenty-five million dollars.

(3) A person other than a natural person that has assets of at least twenty-five million dollars.

(4) A person other than a natural person for the purpose of providing collateral security for securities registered with the federal securities and exchange commission.

b. A funding agreement issued pursuant to paragraph “a”, subparagraph (1), (2), or (3), shall be for a total amount of not less than one million dollars.

c. An amount under a funding agreement shall not be guaranteed or credited except upon

reasonable assumptions as to investment income and expenses and on a basis equitable to all holders of funding agreements of a given class. Such funding agreements shall not provide for payments to the insurer based on mortality or morbidity contingencies.

d. Amounts paid to the insurer pursuant to a funding agreement, and proceeds applied under optional modes of settlement, may be allocated by the insurer to one or more separate accounts pursuant to [section 508A.1](#).

3. A funding agreement is a class 2 claim under [section 507C.42, subsection 2](#).

4. The commissioner may adopt rules to implement funding agreements.

98 Acts, ch 1057, §4; 99 Acts, ch 3, §1, 2; 2002 Acts, ch 1111, §8; 2003 Acts, ch 91, §7; 2003 Acts, ch 179, §75; 2003 Acts, 1st Ex, ch 2, §28, 209; 2004 Acts, ch 1086, §86

Referred to in §507C.42, 508C.3

508.32 Proceeds of policy held in trust.

1. As used in [this section](#):

a. “Annuity contracts” and “life insurance policies” include accident and health insurance policies and contracts, and include undertakings, duties, and obligations incidental to or in furtherance of any such policies or contracts.

b. “Proceeds” includes additions and contributions.

c. “Trust” includes but is not limited to settlement options and contracts issued pursuant to policies or contracts, and funds held in a separate or segregated account in connection with pension or profit-sharing plans pursuant to agreements with the policyholders.

2. Any life insurance company organized under the provisions of [this chapter](#) and doing business in this state, shall have the power to hold in trust the premiums or consideration paid for, or the proceeds of any life insurance policy or annuity contract, either individual or group, issued by it, upon such terms and subject to such limitations as to revocation or control by the policyholder or beneficiary thereunder, as shall have been agreed to in writing by such company and the policyholder; provided that the trust provisions contemplated in [this section](#) shall in no manner subject the corporation to any of the provisions of the laws of Iowa relating to banks or trust companies; and provided further, that the trust or trusts for premiums or considerations may be invested by such company in the manner specified in the trust instruments or agreements and held in a separate or segregated account; and provided further, that the forms of such trust agreements for beneficiaries shall be first submitted to and approved by the commissioner of insurance.

3. Funds held by an insurance company as authorized by [this section](#) may be held in a separate account established pursuant to [section 508A.1](#), except that [section 508A.1, subsection 5](#), shall not be applicable to such account. However, funds held by an insurance company as authorized in [this section](#) shall not be chargeable with liabilities arising out of any other business the company may conduct.

4. An instrument or agreement issued or used by an insurance company as authorized by [this section](#) does not constitute a security as defined in [section 502.102](#).

[C24, 27, 31, 35, 39, §8674; C46, 50, 54, 58, 62, 66, 71, 73, 75, 77, 79, 81, §508.32]

97 Acts, ch 5, §1; 2018 Acts, ch 1041, §127; 2020 Acts, ch 1063, §273; 2021 Acts, ch 80, §320

508.32A Funds held in custodial or similar account.

1. A life insurance company organized under [this chapter](#) and doing business in this state may hold funds, including additions and contributions, as custodian in a custodial or similar account in conjunction with an accident and health insurance policy. Funds held by an insurance company as authorized by [this section](#) may be invested by such company in the manner specified in the account instrument or agreement, and may be held in a separate account established pursuant to [section 508A.1](#). Funds held by an insurance company as authorized by [this section](#) shall not be chargeable with liabilities arising out of any other business the company may conduct.

2. An instrument or agreement issued or used by an insurance company as authorized by [this section](#) does not constitute a security as defined in [section 502.102](#).

97 Acts, ch 5, §2; 2018 Acts, ch 1041, §127

508.33 Subsidiary companies acquired.

Any life insurance company incorporated in this state may organize, or acquire by purchase, in whole or in part subsidiary insurance and investment companies in which it owns not less than fifty-one percent of the common stock, and notwithstanding any other provisions of this subtitle inconsistent herewith may do all of the following:

1. Invest funds from surplus for such purpose.
2. Make loans to such subsidiaries.
3. Permit all or part of its officers and directors to serve as officers or directors of such subsidiary companies.

[C66, 71, 73, 75, 77, 79, 81, §508.33]

[2011 Acts, ch 34, §116](#)

Referred to in [§511.8\(10\)\(c\)](#)

508.33A Limited purpose subsidiary life insurance companies.

1. As used in [this section](#) unless the context otherwise requires:
 - a. “*Affiliated company*” means a domestic life insurance company that is a directly or indirectly wholly owned subsidiary of the same parent.
 - b. “*Parent*” means a person as defined in [section 521A.1](#) who directly or indirectly through one or more intermediaries wholly owns the organizing life insurance company.
 - c. “*Risks*” means risks associated with the life insurance policies and contracts written by the ceding domestic life insurance company or assumed by the ceding domestic life insurance company from an affiliated company, which were written by the affiliated company and for which the ceding domestic life insurance company holds direct statutory reserves for those policies and contracts as required by [section 508.36](#).
2. a. A domestic life insurance company organized pursuant to the provisions of [this chapter](#) may organize a domestic limited purpose subsidiary life insurance company pursuant to the provisions of [this chapter](#) that is wholly owned by the organizing life insurance company. The limited purpose subsidiary life insurance company may reinsure risks of the organizing life insurance company, reinsure risks of affiliated companies, and access alternative forms of financing.
 - b. A limited purpose subsidiary life insurance company shall submit a plan of operation to the commissioner, and the commissioner shall approve the plan of operation with such amendments as the commissioner requires, before the limited purpose subsidiary life insurance company assumes any risks under a reinsurance contract. The plan of operation and any records, books, documents, reports, or other information that the commissioner requires a limited purpose subsidiary life insurance company to produce or disclose pursuant to rules adopted under [subsection 6](#) or pursuant to an order of the commissioner shall be treated the same as information obtained by or disclosed to the commissioner pursuant to [section 521A.6](#) and the commissioner shall have the powers enumerated in [section 521A.6](#) as to that insurer.
3. The organizing life insurance company may invest funds from its surplus in a limited purpose subsidiary life insurance company organized pursuant to [this section](#).
4. The organizing life insurance company’s officers and directors may serve as officers and directors of a limited purpose subsidiary life insurance company organized pursuant to [this section](#).
5. A limited purpose subsidiary life insurance company organized pursuant to [this section](#) shall be deemed to be licensed to transact the business of reinsurance for the purposes of [section 521B.102, subsection 1](#), but may only reinsure risks of its organizing life insurance company and of affiliated companies. A limited purpose subsidiary life insurance company organized pursuant to [this section](#) may, upon approval of the commissioner, purchase reinsurance to cede the reinsurance risks assumed by the limited purpose subsidiary life insurance company.
6. The commissioner shall adopt rules pursuant to [chapter 17A](#) concerning limited purpose subsidiary life insurance companies, including but not limited to the organization, plans of operation, capital requirements including risk-based capital requirements, reserves, authorized investments, reinsurance assumed, material transaction restrictions

and requirements, dividends and distributions, operations, and the conditions, forms, and approval of financing of limited purpose subsidiary life insurance companies organized pursuant to [this section](#).

7. Admitted assets of a limited purpose subsidiary life insurance company shall include assets approved by the commissioner which shall be deemed to be, and reported as, admitted assets of the limited purpose subsidiary life insurance company.

8. The provisions of [sections 508.5 and 511.8](#), [section 521.2, subsection 4](#), [sections 521A.4 and 521A.5](#), and [chapter 521E](#) shall not be applicable to a limited purpose subsidiary life insurance company organized pursuant to [this section](#).

9. A limited purpose subsidiary life insurance company shall not be organized pursuant to [this section](#) prior to the effective date of rules adopted by the commissioner regulating the organization and operation of limited purpose subsidiary life insurance companies as provided in [subsection 6](#).

2010 Acts, ch 1121, §9; 2013 Acts, ch 39, §9, 11; 2024 Acts, ch 1042, §1

508.34 Required to be separate company.

Any subsidiary company shall be a separate and distinct company, with neither the organizing or acquiring life company nor such subsidiary having any liability to the creditors, policyholders or stockholders, if any, of the other. The organizing or acquiring company may be either a mutual or stock company.

[C66, 71, 73, 75, 77, 79, 81, §508.34]

508.35 Qualifications to do business.

Any such subsidiary company organized by any such life insurance company shall comply with all the laws of the state of its incorporation pertaining to the organization and qualification to do business of its class or kind, and if incorporated outside of the state of Iowa shall be admitted to do business in this state only upon qualification under the laws of the state of Iowa relating to such foreign corporations.

[C66, 71, 73, 75, 77, 79, 81, §508.35]

508.36 Standard valuations.

[This section](#) shall be known as the “*Standard Valuation Law*”.

1. Definitions.

a. As used in [this section](#), unless the context otherwise requires:

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

(2) “*Appointed actuary*” means a qualified actuary who is appointed in accordance with the valuation manual to prepare the actuarial opinion required in [subsection 3](#), paragraph “b”.

(3) “*Company*” means an entity which has done any of the following:

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

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

(4) “*Deposit-type policy or contract*” means policies or contracts that do not incorporate mortality or morbidity risks and such policies or contracts as may be specified in the valuation manual.

(5) “*Life insurance*” means policies or contracts that incorporate mortality risk, including annuity and pure endowment contracts, and such policies or contracts as may be specified in the valuation manual.

(6) “*NAIC*” means the national association of insurance commissioners.

(7) “Operative date of the valuation manual” means the operative date of the valuation manual as provided in [subsection 14](#).

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

(9) “Principle-based valuation” means a reserve valuation that uses one or more methods or one or more assumptions determined by the insurer and that is required to comply with [subsection 15](#) as specified in the valuation manual.

(10) “Qualified actuary” means 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” means a risk that occurs either where the frequency of low probability events is higher than expected under a normal probability distribution or where there are observed events of very significant size or magnitude.

(12) “Valuation manual” means the manual of valuation instructions adopted by the NAIC as specified in [this section](#) or as subsequently amended.

b. [This subsection](#) is applicable on or after the operative date of the valuation manual.

2. Reserve valuation.

a. *Policies and contracts issued prior to operative date of valuation manual.*

(1) The commissioner shall annually value, or cause to be valued, the reserve liabilities, referred to in [this section](#) as reserves, for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurance company doing business in this state, issued on or after July 1, 1973, and prior to the operative date of the valuation manual. In calculating the reserves, the commissioner may use group methods and approximate averages for fractions of a year or otherwise. In lieu of the valuation of the reserves required in [this section](#) of any foreign or alien company, the commissioner 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 provided for in [this section](#).

(2) The provisions set forth in [subsections 4 through 13](#) shall apply to all policies and contracts, as appropriate, subject to [this section](#) that were issued on or after July 1, 1973, and prior to the operative date of the valuation manual and the provisions set forth in [subsections 14 and 15](#) shall not apply to any such policies or contracts.

(3) The minimum standard for the valuation of policies and contracts issued prior to July 1, 1973, shall be the standard provided by the laws in effect immediately prior to that date.

b. *Policies and contracts issued on or after operative date of valuation manual.*

(1) The commissioner shall annually value, or cause to be valued, the reserve liabilities for all outstanding life insurance policies or contracts, annuity and pure endowment policies or contracts, accident and health insurance policies or contracts, and deposit-type policies or contracts of every company issued on or after the operative date of the valuation manual. In lieu of the valuation of the reserves required of a foreign or alien company, the commissioner may accept a valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when the valuation complies with the minimum standard provided in [this section](#).

(2) The provisions set forth in [subsections 14 and 15](#) shall apply to all policies or contracts issued on or after the operative date of the valuation manual.

3. Actuarial opinion of reserves.

a. *Actuarial opinion of reserves prior to operative date of valuation manual.* This paragraph “a” applies to an actuarial opinion of reserves submitted prior to the operative date of the valuation manual.

(1) *General.* A life insurance company doing business in this state shall annually submit the written 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 commissioner by regulation are computed appropriately, are based on assumptions which satisfy contractual provisions, are consistent with prior reported amounts, and are in compliance with applicable laws of this state. The commissioner shall define by rule the requirements and content of this opinion and add any other items deemed to be necessary.

(2) *Actuarial analysis of reserves and assets supporting such reserves.*

(a) Unless exempted by rule, a life insurance company shall also annually include in the opinion required by subparagraph (1), an opinion of the same qualified actuary as to whether the reserves and related actuarial items held in support of policies and contracts specified by the commissioner by rule, 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 commissioner may provide by rule 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 paragraph "a".

(3) *Requirements for opinions subject to subparagraph (2).* An opinion required by subparagraph (2) shall be governed by the following provisions:

(a) A memorandum, in form and substance acceptable to the commissioner as specified by rule, shall be prepared to support each actuarial opinion.

(b) If the insurance company fails to provide a supporting memorandum at the request of the commissioner within a period specified by rule or the commissioner determines that the supporting memorandum provided by the insurance company fails to meet the standards prescribed by the rules or is otherwise unacceptable to the commissioner, the commissioner 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 commissioner.

(4) *Requirement for all opinions subject to this paragraph.* An opinion required under this paragraph "a" is 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, 1995.

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

(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 commissioner may by rule prescribe.

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

(e) For the purposes of this paragraph "a", "*qualified actuary*" means a member in good standing of the American academy of actuaries who meets the requirements of the commissioner as specified by rule.

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

(g) Disciplinary action which may be taken by the commissioner against the company or the qualified actuary shall be defined in rules adopted by the commissioner.

(h) (i) Any memorandum in support of the opinion, and any other material provided by the company to the commissioner in connection with the opinion, shall be kept confidential by the commissioner 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 paragraph "a" or by rules adopted pursuant to this paragraph "a". Notwithstanding this subparagraph division, the memorandum or other material may be released by the commissioner if either of the following applies:

(A) The commissioner receives the written consent of the company with which the opinion is associated.

(B) The American academy of actuaries requests that the memorandum or other material is required for the purpose of professional disciplinary proceedings and setting forth procedures satisfactory to the commissioner for preserving the confidentiality of the memorandum or other material.

(ii) Once any portion of the confidential memorandum is cited by the company in its marketing, 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 are no longer confidential.

b. Actuarial opinion of reserves on or after operative date of valuation manual. This paragraph “b” applies to an actuarial opinion of reserves submitted on or after the operative date of the valuation manual.

(1) *General.* Every company with outstanding life insurance policies or contracts, accident and health insurance policies or contracts, or deposit-type policies or contracts in this state and subject to regulation by the commissioner 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 laws of this state. The valuation manual shall prescribe the specifics of this opinion including any items deemed to be necessary to its scope.

(2) *Actuarial analysis of reserves and assets supporting reserves.* Every company with outstanding life insurance policies or contracts, accident and health insurance policies or contracts, or deposit-type policies or contracts in this state and subject to regulation by the commissioner, except as exempted in the valuation manual, shall annually include in the opinion required by subparagraph (1), 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 the benefits under and expenses associated with the policies and contracts.

(3) *Requirements for opinions subject to subparagraph (2).* An opinion required by subparagraph (2) shall be governed by the following provisions:

(a) A memorandum, in form and substance as specified in the valuation manual, and that is acceptable to the commissioner, shall be prepared to support each actuarial opinion.

(b) If the company fails to provide a supporting memorandum at the request of the commissioner within a period specified in the valuation manual or the commissioner determines that the supporting memorandum provided by the company fails to meet the standards prescribed by the valuation manual or is otherwise unacceptable to the commissioner, the commissioner 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 commissioner.

(4) *Requirements for all opinions subject to this paragraph.* Every opinion subject to this paragraph “b” shall be governed by the following provisions:

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

(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 subparagraph (2) 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 commissioner may accept the opinion filed by that company with the insurance supervisory official of another state if the commissioner determines that the opinion reasonably meets the requirements applicable to a company domiciled in this state.

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

(g) Disciplinary action by the commissioner against the company or the appointed actuary shall be defined in rules adopted by the commissioner pursuant to [chapter 17A](#).

4. *Computations of minimum standards.* Except as otherwise provided in [subsections 5, 6, and 13](#), the minimum standard for the valuation of all such policies and contracts issued prior to July 1, 1994, shall be that provided by the laws in effect immediately prior to such date. Except as otherwise provided in [subsections 5, 6, and 13](#), the minimum standard for the valuation of all such policies and contracts shall be the commissioner's reserve valuation methods defined in [subsections 7, 8, 11, and 12](#), five percent interest for group annuity and pure endowment contracts and three and one-half percent interest for all other policies and contracts, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after July 1, 1974, four percent interest for such policies issued prior to January 1, 1980, five and one-half percent interest for single premium life insurance policies and four and one-half percent interest for all other such policies issued on and after January 1, 1980, and the following tables:

a. For ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in the policies, the following:

(1) The commissioner's 1941 standard ordinary mortality table for policies issued prior to the operative date of [section 508.37, subsection 6](#), paragraph "a".

(2) The commissioner's 1958 standard ordinary mortality table for such policies issued on or after the operative date of [section 508.37, subsection 6](#), paragraph "a", and prior to the operative date of [section 508.37, subsection 6](#), paragraph "c", provided that for any category of policies issued 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.

(3) For policies issued on or after the operative date of [section 508.37, subsection 6](#), paragraph "c", any of the following:

(a) The commissioner's 1980 standard ordinary mortality table.

(b) At the election of the company for any one or more specified plans of life insurance, the commissioner's 1980 standard ordinary mortality table with ten-year select mortality factors.

(c) Any ordinary mortality table, adopted after 1980 by the national association of insurance commissioners, that is approved by rule adopted by the commissioner 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 the policies, the following:

(1) For policies issued prior to the operative date of [section 508.37, subsection 6](#), paragraph "b", the 1941 standard industrial mortality table.

(2) For policies issued on or after the operative date of [section 508.37, subsection 6](#), paragraph "b", the commissioner's 1961 standard industrial mortality table, or any industrial mortality table adopted after 1980 by the national association of insurance commissioners, that is approved by rule adopted by the commissioner 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 commissioner.

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, or a modification of the table approved by the commissioner, or at the option of the company, any

of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

e. (1) For total and permanent disability benefits in or supplementary to ordinary policies or contracts, the following:

(a) For policies or contracts issued on or after January 1, 1966, the tables of period 2 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 and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such policies.

(b) For policies or contracts issued on or after January 1, 1961, and prior to January 1, 1966, either of the tables identified under subparagraph division (a), or at the option of the company, the class (3) disability table (1926).

(c) For policies issued prior to January 1, 1961, the class (3) disability table (1926).

(2) A table used under this paragraph “e” shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

f. (1) For accidental death benefits in or supplementary to policies, the following:

(a) For 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 and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such policies.

(b) For policies issued on or after January 1, 1961, and prior to January 1, 1966, either of the tables identified under subparagraph division (a), or at the option of the company, the intercompany double indemnity mortality table.

(c) For policies issued prior to January 1, 1961, the intercompany double indemnity mortality table.

(2) A table used under this paragraph “f” shall be combined with a mortality table for calculating the reserves for life insurance policies.

g. For group life insurance, life insurance issued on the substandard basis, and other special benefits, tables approved by the commissioner.

5. *Computation for minimum standards for annuities.*

a. Except as provided in [subsection 6](#), the minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of [this subsection](#), and for all annuities and pure endowments purchased on or after the operative date of [this subsection](#) under group annuity and pure endowment contracts, shall be the commissioner’s reserve valuation methods defined in [subsections 7 and 8](#), and the following tables and interest rates:

(1) For individual annuity and pure endowment contracts issued prior to January 1, 1980, excluding any disability and accidental death benefits in such contracts, both of the following:

(a) The 1971 individual annuity mortality table, or any modification of this table approved by the commissioner.

(b) Six percent interest for single premium immediate annuity contracts, and four percent interest for all other individual annuity and pure endowment contracts.

(2) For individual single premium immediate annuity contracts issued on or after January 1, 1980, excluding any disability and accidental death benefits in such contracts, both of the following:

(a) One of the following tables:

(i) The 1971 individual annuity mortality table.

(ii) An individual annuity mortality table, adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such contracts.

(iii) A modification of the tables identified in subparagraph subdivisions (i) and (ii) approved by the commissioner.

(b) Seven and one-half percent interest.

(3) For individual annuity and pure endowment contracts issued on or after January 1,

1980, other than single premium immediate annuity contracts, excluding any disability and accidental death benefits in such contracts, both of the following:

- (a) One of the following tables:
 - (i) The 1971 individual annuity mortality table.
 - (ii) An individual annuity mortality table adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such contracts.
 - (iii) A modification of the tables identified in subparagraph subdivisions (i) and (ii) approved by the commissioner.
- (b) 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.
- (4) For all annuities and pure endowments purchased prior to January 1, 1980, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, both of the following:

(a) The 1971 group annuity mortality table or any modification of this table approved by the commissioner.

(b) Six percent interest.

(5) For all annuities and pure endowments purchased on or after January 1, 1980, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, both of the following:

- (a) One of the following tables:
 - (i) The 1971 group annuity mortality table.
 - (ii) A group annuity mortality table adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for such annuities and pure endowments.
 - (iii) A modification of the tables identified in subparagraph subdivisions (i) and (ii) approved by the commissioner.
- (b) Seven and one-half percent interest.

b. After July 1, 1973, a company may file with the commissioner a written notice of its election to comply with the provisions of [this subsection](#) after a specified date before January 1, 1979, which shall be the operative date of [this section](#) for such company, provided, if a company makes no election, the effective date of [this section](#) for a company is January 1, 1979.

6. *Computation of minimum standard by calendar year of issue.*

a. *Applicability of this subsection.* The calendar year statutory valuation interest rates, as defined in [this subsection](#), shall be used in determining the minimum standard for the valuation of all of the following:

(1) All life insurance policies issued in a particular calendar year, on or after the operative date of [section 508.37, subsection 6](#), paragraph “c”.

(2) All individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1995.

(3) All annuities and pure endowments purchased in a particular calendar year on or after January 1, 1995, under group annuity and pure endowment contracts.

(4) The net increase, if any, in a particular calendar year on or after January 1, 1995, in amounts held under guaranteed interest contracts.

b. *Calendar year statutory valuation interest rates.*

(1) The calendar year statutory valuation interest rates, referred to in this paragraph as “I”, shall be determined as follows and the results rounded to the nearer one-quarter of one percent:

(a) For life insurance,

$$I \text{ equals } .03 + W(R1 - .03) + (W/2) \times (R2 - .09),$$

where R1 is the lesser of R and .09, R2 is the greater of R and .09, R is the reference interest rate defined in paragraph “d” of [this subsection](#), and W is the weighting factor defined in paragraph “c” of [this subsection](#).

(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,

$$I \text{ equals } .03 + W(R - .03),$$

where R1 is the lesser of R and .09, R2 is the greater of R and .09, R is the reference interest rate defined in paragraph “d” of [this subsection](#), and W is the weighting factor defined in paragraph “c” of [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 subparagraph division (b), the formula for life insurance stated in subparagraph division (a) applies to annuities and guaranteed interest contracts with guarantee durations in excess of ten years, and the formula for single premium immediate annuities stated in subparagraph division (b) applies 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 subparagraph division (b) applies.

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

(2) However, if the calendar year statutory valuation interest rate for any life insurance policies issued in any calendar year determined under subparagraph (1), subparagraph division (a), 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 the life insurance policies is 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 in 1979, and shall be determined for each subsequent calendar year regardless of the operative date of [section 508.37, subsection 6](#), paragraph “c”.

c. Weighting factors.

(1) The weighting factors referred to in paragraph “b” are given in the following tables:

(a) (i) 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

(ii) 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) The weighting factors 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 is .80.

(c) Weighting factors for other annuities and for guaranteed interest contracts, except as stated in subparagraph division (b), shall be as specified in subparagraph subdivisions (i), (ii), and (iii) of this subparagraph division, according to the rules and definitions in subparagraph subdivisions (iv), (v), and (vi) of this subparagraph division:

(i) 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

(ii) For annuities and guaranteed interest contracts valued on a change-in-fund basis, the factors shown in subparagraph subdivision (i) of this subparagraph division increased by:

Plan Type		
A	B	C
.15	.25	.05

(iii) 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 subdivision (i) of this subparagraph division or derived in subparagraph subdivision (ii) of this subparagraph division increased by:

Plan Type		
A	B	C
.05	.05	.05

(iv) 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 durations 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.

(v) “Plan type”, as used in subparagraph subdivisions (i), (ii), and (iii) of this subparagraph division, is defined as follows:

(A) “Plan Type A”: At any time, the 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 may withdraw funds without that adjustment but in installments over five years or more, or may withdraw funds as in immediate life annuity; or no withdrawal is permitted.

(B) “Plan Type B”: Before expiration of the interest rate guarantee, the 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 may withdraw funds without that adjustment but in installments over five years or more; or no withdrawal is permitted. At the end of interest rate guarantee, funds may be withdrawn without adjustment in a single sum or installments over less than five years.

(C) “Plan Type C”: The policyholder may withdraw funds before expiration of interest rate guarantee in a single sum or installments over less 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.

(vi) 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 section](#), an issue-year basis of valuation refers to a valuation basis under which

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

d. Reference interest rate. The reference interest rate referred to in paragraph “b” is defined as follows:

(1) 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 30 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.

(2) 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 30 of the calendar year of issue or year of purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody’s investors service, inc.

(3) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue-year basis, except as stated in subparagraph (2), 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 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody’s investors service, inc.

(4) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue-year basis, except as stated in subparagraph (2), with guarantee duration of ten years or less, the average over a period of twelve months, ending on June 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody’s investors service, inc.

(5) 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 30 of the calendar year of issue or purchase, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody’s investors service, inc.

(6) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change-in-fund basis, except as stated in subparagraph (2), the average over a period of twelve months, ending on June 30 of the calendar year of the change in the fund, of the monthly average of the composite yield on seasoned corporate bonds, as published by Moody’s investors service, inc.

e. Alternative method for determining reference interest rates. 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 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, an alternative method for determination of the reference interest rate, which is adopted by the national association of insurance commissioners and approved by rule adopted by the commissioner, may be substituted.

7. Reserve valuation method — life insurance and endowment benefits.

a. Except as otherwise provided in [subsections 8, 11, and 12](#), reserves calculated according to the commissioner’s 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 future guaranteed benefits provided for by such policies, over the present value, at the date of valuation, of any future modified net premiums for such policies. The modified net premiums for such policy is the uniform percentage of the respective contract premiums for the benefits such that the present value, at the date of issue of the policy, of all

modified net premiums shall be equal to the sum of the present value, at the date of valuation, of such benefits provided for by the policy and the excess of the amount determined in subparagraph (1) over the amount determined in subparagraph (2), as follows:

(1) A net level annual premium equal to the present value at the date of issue, of the 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 the policy on which a premium falls due. However, the 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 more than the age of the insured at issue of the policy.

(2) A net one-year term premium for the benefits provided for in the first policy year.

b. (1) However, for a life insurance policy issued on or after January 1, 1998, 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 additional premium and which provides an endowment benefit or a cash surrender value or a combination of such benefit or value in an amount greater than the additional premium, the reserve according to the commissioner's reserve valuation method as of any policy anniversary occurring on or before the assumed ending date defined as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than such additional premium shall be, except as otherwise provided in [subsection 11](#), the greater of the reserve as of such policy anniversary calculated as described in paragraph "a" and the reserve as of such policy anniversary calculated as described in paragraph "a", but with the following modifications:

(a) The value defined in paragraph "a" being reduced by fifteen percent of the amount of such excess first year premium.

(b) 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.

(c) The policy being assumed to mature on such date as an endowment.

(d) The cash surrender value provided on such date being considered as an endowment benefit.

(2) In making the above comparison the mortality and interest bases stated in [subsections 5 and 6](#) shall be used.

c. Reserves according to the commissioner's reserve valuation method shall be calculated pursuant to a method consistent with [this subsection](#) for all of the following:

(1) Life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums.

(2) 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.

(3) Disability and accidental death benefits in all policies and contracts.

(4) All other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts.

8. *Reserve valuation method — annuity and pure endowment benefits.*

a. [This subsection](#) applies 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.

b. Reserves according to the commissioner's 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.

9. *Minimum reserves.*

a. A company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, issued on or after the operative date of [section 508.37](#), shall not be less than the aggregate reserves calculated in accordance with the methods set forth in [subsections 7, 8, 11, and 12](#), and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

b. A company's aggregate reserves for all policies, contracts, and benefits shall not be less than the aggregate reserves determined by the qualified actuary to be necessary to render the opinion required by [subsection 3](#).

10. *Optional reserve calculation.*

a. Reserves for all policies and contracts issued prior to the operative date of [section 508.37](#), 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 prior to July 1, 1994.

b. Reserves for any category of policies, contracts, or benefits, as established by the commissioner, issued on or after the operative date of [section 508.37](#), 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 as provided in [this section](#), 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 as provided in [this section](#).

c. A company which at any time adopts a standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard as provided in [this section](#) may adopt, with the approval of the commissioner, any lower standard of valuation, not to be lower than the minimum as provided in [this section](#), provided, however, that, for purposes of [this section](#), the holding of additional reserves previously determined by a qualified actuary to be necessary to render the opinion required by [subsection 3](#) shall not be deemed to be the adoption of a higher standard of valuation.

11. *Reserve calculation — valuation net premium exceeding the gross premium charge.*

a. If in any contract year the gross premium charged by a company on a policy or contract is less than the valuation net premium for the policy or contract, as calculated by the method used in calculating the reserve for such policy or contract but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for such policy or contract is 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 established in [subsections 5 and 6](#).

b. However, for any life insurance policy issued on or after January 1, 1998, 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 of such benefit and value, in an amount greater than the excess premium, the provisions of paragraph "a" apply as if the method actually used in calculating the reserve for such policy is the method established in [subsection 7](#), excluding paragraph "b" of that subsection. The minimum reserve of the policy at each policy anniversary shall be the greater of the minimum reserve calculated pursuant to [subsection 7](#) and the minimum reserve calculated in accordance with [this subsection](#).

12. *Reserve calculation — indeterminate premium plans.* In the case of any plan of life insurance which provides for future premium determination, the amounts of such premium which are to be determined by the insurance company based on estimates of future experience, or in the case of any plan of life insurance or annuity, the minimum reserves of which cannot be determined by the methods established in [subsections 7, 8, and 11](#), the reserves which are held under the plan must be appropriate in relation to the benefits and the pattern of premiums for that plan, and shall be computed by a method which is consistent with [this section](#), as determined by rules adopted by the commissioner.

13. *Minimum standards for accident and health insurance policies or contracts.* For accident and health insurance policies or 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](#), paragraph “b”. For health, disability, and sickness and accident insurance policies or contracts issued on or after July 1, 1973, and prior to the operative date of the valuation manual, the minimum standard of valuation is the standard adopted by the commissioner by rule.

14. *Valuation manual for policies or contracts issued on or after operative date of valuation manual.*

a. For policies or 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](#), paragraph “b”, except as provided under paragraph “e” or “g” of [this subsection](#).

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

(1) 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.

(2) 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:

(a) Life, accident, and health insurance annual statements.

(b) Health insurance annual statements.

(c) Fraternal benefit society annual statements.

(3) 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.

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

(1) The changes to the valuation manual have 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.

(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 division (a):

(i) Life, accident, and health insurance annual statements.

(ii) Health insurance annual statements.

(iii) Fraternal benefit society annual statements.

d. The valuation manual shall specify all of the following:

(1) Minimum valuation standards for and definitions of the policies or contracts subject to [subsection 2](#), paragraph “b”. Such minimum valuation standards shall include all of the following:

(a) The commissioner’s reserve valuation method for life insurance contracts, other than annuity contracts, subject to [subsection 2](#), paragraph “b”.

(b) The commissioner's annuity reserve valuation method for annuity contracts subject to [subsection 2](#), paragraph "b".

(c) Minimum reserves for all other policies or contracts subject to [subsection 2](#), paragraph "b".

(2) Which policies or contracts or types of policies or contracts are subject to the requirements of a principle-based valuation in [subsection 15](#), paragraph "a", and the minimum valuation standards consistent with those requirements.

(3) For policies and contracts subject to a principle-based valuation under [subsection 15](#), specify all of the following:

(a) Requirements for the format of reports to the commissioner under [subsection 15](#) which shall include information necessary to determine if the valuation is appropriate and in compliance with [this section](#).

(b) Assumptions that are 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.

(4) For policies or contracts not subject to a principle-based valuation under [subsection 15](#), the minimum valuation standard shall do either of the following:

(a) Be consistent with the minimum standard of valuation prior to the operative date of the valuation manual.

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

(5) 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.

(6) The data and form of the data required under [subsection 16](#), to whom the data must be submitted, and other specified requirements, including data analyses and reporting of analyses.

e. In the absence of a specific valuation requirement or if a specific valuation requirement in the valuation manual is not, in the opinion of the commissioner, in compliance with [this subsection](#), then the company shall, with respect to such requirements, comply with minimum valuation standards prescribed by the commissioner by rule.

f. The commissioner may engage a qualified actuary, at the expense of the company, to perform an actuarial examination of the company and opine on the appropriateness of any reserve assumption or method used by the company, or to review and opine on a company's compliance with any requirements set forth in [this section](#). The commissioner may rely upon the opinion, regarding provisions contained in [this section](#), of a qualified actuary engaged by the commissioner of another state, district, or territory of the United States. As used in this paragraph, "engage" includes employment of and contracting with a qualified actuary.

g. The commissioner may require a company to change any assumption or method that in the opinion of the commissioner is necessary in order to comply with the requirements of the valuation manual or [this section](#) and the company shall adjust the reserves as required by the commissioner. The commissioner may take other disciplinary action as authorized pursuant to [section 505.8](#).

15. *Requirements of principle-based valuation.*

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

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

(2) Incorporates 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.

(3) Incorporates assumptions that are derived in one of the following manners:

(a) The assumption is prescribed in the valuation manual.

(b) For assumptions that are not prescribed in the valuation manual, the assumptions shall meet either of the following requirements:

(i) Be established utilizing the company's available experience, to the extent that the experience is relevant and statistically credible.

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

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

b. A company using a principle-based valuation for one or more policies or contracts subject to [this subsection](#) as specified in the valuation manual shall do all of the following:

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

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

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

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

16. *Experience reporting for policies or contracts in force on or after operative date of valuation manual.* A company shall submit mortality, morbidity, policyholder behavior, or expense experience and other data as prescribed in the valuation manual.

17. *Confidentiality.*

a. *Definition.* For purposes of [this subsection](#), "confidential information" means all of the following:

(1) A memorandum in support of an opinion submitted under [subsection 3](#) and any other documents, materials, or other information, including but not limited to all working papers, and copies thereof, created, produced, obtained by, or disclosed to the commissioner or any other person in connection with the memorandum.

(2) All documents, materials, or other information, including but not limited to all working papers, and copies thereof, created, produced, obtained by, or disclosed to the commissioner or any other person in the course of an examination made under [subsection 14](#), paragraph "f"; provided, however, that if an examination report or other materials prepared in connection with an examination made under [chapter 507](#) is not held as private and confidential information under [section 507.14](#), an examination report or other material prepared in connection with an examination made under [subsection 14](#), paragraph "f", shall not be "confidential information" to the same extent as if such examination report or other material had been prepared under [chapter 507](#).

(3) Any reports, documents, materials, or other information developed by a company in support of, or in connection with, an annual certification by the company under [subsection 15](#), paragraph "b", subparagraph (2), evaluating the effectiveness of the company's internal controls with respect to a principle-based valuation and any other documents, materials, or other information, including but not limited to all working papers, and copies thereof, created, produced, obtained by, or disclosed to the commissioner or any other person in connection with such reports, documents, materials, or other information.

(4) Any principle-based valuation report developed under [subsection 15](#), paragraph "b", subparagraph (3), and any other documents, materials, or other information, including but not limited to all working papers, and copies thereof, created, produced, obtained by, or disclosed to the commissioner or any other person in connection with such report.

(5) Any documents, materials, data, or other information submitted by a company

under [subsection 16](#), collectively known as “experience data” or “experience materials”, and any other documents, materials, data, or 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 includes any potentially company-identifying or personally identifiable information, that is provided to or obtained by the commissioner, together with any “experience data” or “experience materials”, and any other documents, materials, data, or other information, including but not limited to all working papers, and copies thereof, created, produced, obtained by, or disclosed to the commissioner or any other person in connection with such experience data or experience materials.

b. Privilege for, and confidentiality of, confidential information.

(1) Except as provided in [this subsection](#), a company’s confidential information is confidential by law and privileged, and shall not be subject to [chapter 22](#), 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 commissioner 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 commissioner’s official duties.

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

(3) In order to assist in the performance of the commissioner’s duties, the commissioner may share confidential information as follows:

(a) With other state, federal, or international regulatory agencies and with the NAIC and its affiliates and subsidiaries.

(b) In the case of confidential information specified in paragraph “a”, subparagraphs (1) and (4) only, with 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.

(c) The sharing of confidential information under subparagraph division (a) or (b) requires that the recipient of the confidential information agrees, and has 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 commissioner.

(4) The commissioner 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 documents, materials, 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 documents, materials, data, or other information.

(5) The commissioner may enter into agreements governing the sharing and use of information consistent with this paragraph “b”.

(6) No waiver of any applicable privilege or claim of confidentiality in the confidential information shall occur as a result of disclosure to the commissioner under [this subsection](#) or as a result of sharing as authorized in subparagraph (3).

(7) A privilege established under the law of any state or jurisdiction that is substantially similar to the privilege established in this paragraph “b” shall be available and enforced in any proceeding in, and in any court of, this state.

(8) For the purposes of [this subsection](#), “regulatory agency”, “law enforcement agency”, and the “NAIC”, include but are not limited to their employees, agents, consultants, and contractors.

c. Sharing of confidential information. Notwithstanding paragraph “b”, any confidential information specified in paragraph “b” may be shared as follows:

(1) 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 3](#) or a principle-based valuation report developed under

subsection 15, paragraph “b”, subparagraph (3), by reason of an action required by [this section](#) or by rules promulgated under [this section](#).

(2) May otherwise be released by the commissioner with the written consent of the company.

(3) Once any portion of a memorandum in support of an opinion submitted under [subsection 3](#) or a principle-based valuation report developed under [subsection 15](#), paragraph “b”, subparagraph (3), is cited by a 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 information.

18. *Single state exemption.*

a. The commissioner may exempt specific product forms or product lines of a domestic company that is licensed and doing business only in this state from the requirements of [subsection 14](#) provided that all of the following have occurred:

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

(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 commissioner and promulgated by rule.

b. For any company granted an exemption under [this subsection](#), [subsections 3 through 13](#) shall be applicable. With respect to any company applying this exemption, any reference to [subsection 14](#) found in [subsections 3 through 13](#) shall not be applicable.

[C73, §1169; C97, §1774; C24, 27, 31, 35, 39, §8654; C46, 50, 54, 58, 62, §508.12; C66, 71, 73, 75, 77, 79, 81, §508.36; [82 Acts, ch 1072, §1, 2](#)]

[94 Acts, ch 1176, §7, 8](#); [95 Acts, ch 67, §36](#); [2009 Acts, ch 41, §148 – 156](#); [2012 Acts, ch 1023, §104, 157](#); [2013 Acts, ch 30, §121 – 123](#); [2014 Acts, ch 1020, §1 – 9, 15](#); [2014 Acts, ch 1141, §23, 24](#); [2021 Acts, ch 76, §124](#)

Referred to in [§508.33A](#), [508.37](#), [521B.105](#)

508.37 Standard nonforfeitures — life insurance.

[This section](#) shall be known as the “Standard Nonforfeiture Law for Life Insurance”.

1. As used in [this section](#), “operative date of the valuation manual” means the same as provided in [section 508.36, subsection 14](#).

2. In the case of policies issued on or after the operative date of [this section](#) as defined in [subsection 12](#), a policy of life insurance shall not, except as stated in [subsection 11](#), be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering policyholder as the following provisions and are essentially in compliance with [subsection 10](#):

a. 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 the due date of the premium in default, and of an amount as specified in [this section](#). In lieu of the 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.

b. 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 an amount as may be specified in [this section](#).

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

d. That, if the policy has 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 an amount as specified in [this section](#).

e. 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, the 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.

f. 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 in the policy, a statement that the 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.

3. Any of the provisions or portions of provisions set forth in [subsection 2](#) which are not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy. The company shall reserve the right to defer the payment of any cash surrender value for a period of six months after demand with surrender of the policy.

4. a. 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 2](#), shall be an amount not less than the excess, if any, of the present value, on that anniversary, of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions, if there had been no default, over the sum of the then present value of the adjusted premiums as defined in [subsections 6 and 7](#), corresponding to premiums which would have fallen due on and after that anniversary, plus the amount of any indebtedness to the company on the policy.

b. However, for a policy issued on or after the operative date of [subsection 7](#) as defined in paragraph “k” of that subsection, which provides supplemental life insurance or annuity benefits at the option of the insured and for an identifiable additional premium by rider or supplemental policy provision, the cash surrender value referred to in paragraph “a” shall be an amount not less than the sum of the cash surrender value as defined in that paragraph for an otherwise similar policy issued at the same age without such rider or supplemental policy provision and the cash surrender value as defined in that paragraph for a policy which provides only the benefits otherwise provided by such rider or supplemental policy provision.

c. Provided further that for a family policy issued on or after the operative date of [subsection 7](#) as defined in paragraph “k” of that subsection, 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 paragraph “a” shall be an amount not less than the sum of the cash surrender value as defined in paragraph “a” for an otherwise similar policy issued at the same age without term insurance on the life of the

spouse and the cash surrender value as defined in paragraph “a” for a policy which provides only the benefits otherwise provided by the term insurance on the life of the spouse.

d. 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 2](#), shall be an amount not less than the present value, on the anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the company on the policy.

5. 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 that 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. a. (1) [This subsection](#) does not apply to policies issued on or after the operative date of [subsection 7](#) as defined in paragraph “k” of that subsection. Except as provided in paragraph “c”, 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 is equal to the sum of the following:

(a) The then present value of the future guaranteed benefits provided for by the policy.

(b) Two percent of the amount of the insurance, if the insurance is uniform in amount, or of the equivalent uniform amount, as defined in paragraph “b”, if the amount of insurance varies with duration of the policy.

(c) Forty percent of the adjusted premium for the first policy year.

(d) Twenty-five percent of either the adjusted premium 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.

(2) However, in applying the percentages specified in subparagraph (1), subparagraph divisions (c) and (d), no adjusted premium shall be deemed to exceed four percent of the amount of insurance or an equivalent uniform amount. The date of issue of a policy for the purpose of [this subsection](#) is the date as of which the rated age of the insured is determined.

b. In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount for the purpose of [this subsection](#) 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 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 the policy at age ten.

c. The adjusted premiums for a policy providing term insurance benefits by rider or supplemental policy provision shall be equal to (1) 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 (2) the adjusted premiums for such term insurance, the foregoing items (1) and (2) being calculated separately and as specified in paragraphs “a” and “b” of [this subsection](#) except that, for the purposes of paragraph “a”, subparagraph (1), subparagraph divisions (b), (c), and (d), the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in item (2) in this paragraph 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 item (1) in this paragraph.

d. (1) All adjusted premiums and present values referred to in [this section](#) shall for policies of ordinary insurance be calculated on the basis of the commissioners 1958 standard

ordinary mortality table, 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. The calculations for all policies of industrial insurance issued before January 1, 1968, shall be made on the basis of the 1941 standard industrial mortality table, except that a company may file with the commissioner a written notice of its election that the adjusted premiums and present values shall be calculated on the basis of the commissioners 1961 standard industrial mortality table, after a specified date before January 1, 1968. Whether or not any election has been made, the commissioners 1961 standard industrial mortality table shall be the basis for these calculations as to all policies of industrial insurance issued on or after January 1, 1968. All calculations shall be made on the basis of the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, provided that the 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 July 1, 1974, and prior to January 1, 1980, and a rate of interest not exceeding five and one-half percent per annum may be used for policies issued on or after January 1, 1980.

(2) However, in calculating the present value under subparagraph (1) of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed in the case of policies of ordinary insurance, may be not more than those shown in the commissioners 1958 extended term insurance table, and in the case of policies of industrial insurance, may be not more than one hundred thirty percent of the rates of mortality according to the 1941 standard industrial mortality table, except that when the commissioners 1961 standard industrial mortality table becomes applicable as specified in this paragraph, the rates of mortality assumed may be not more than those shown in the commissioners 1961 industrial extended term insurance table. In addition, for insurance issued on a substandard basis, the calculation under subparagraph (1) of adjusted premiums and present values may be based on any other table of mortality that is specified by the company and approved by the commissioner.

7. a. (1) [This subsection](#) applies to all policies issued on or after the operative date of [this subsection](#), as defined in paragraph “k”. Except as provided in paragraph “g”, the adjusted premiums for a 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 is equal to the sum of the following:

- (a) The then present value of the future guaranteed benefits provided for by the policy.
- (b) One percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years.
- (c) One hundred twenty-five percent of the nonforfeiture net level premium, as defined in paragraph “b”. However, in applying this percentage a nonforfeiture net level premium shall not be deemed to exceed four percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years.

(2) The date of issue of a policy for the purpose of [this subsection](#) is the date as of which the rated age of the insured is determined.

b. 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 the policy on which a premium falls due.

c. In the case of policies which on a basis guaranteed in the policy cause 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 a 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.

d. Except as otherwise provided in paragraph “g”, the recalculated future adjusted premiums for a 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 future adjusted premiums is equal to the excess of the sum of the then present value of the then future guaranteed benefits provided for by the policy plus the additional expense allowance, if any, over the then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy.

e. The additional expense allowance, at the time of the change to the newly defined benefits or premiums, shall be the sum of 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, plus one hundred twenty-five percent of the increase, if positive, in the nonforfeiture net level premium.

f. The recalculated nonforfeiture net level premium shall be equal to the result obtained by dividing the amount described in subparagraph (1) by the amount described in subparagraph (2), where subparagraph (1) and subparagraph (2) are as follows:

(1) The sum of 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, plus the present value of the increase in future guaranteed benefits provided for by the policy.

(2) 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.

g. Notwithstanding any contrary provision of [this subsection](#), in the case of a policy issued on a substandard basis which provides reduced graded amounts of insurance so that, in each policy year, the 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 the substandard policy may be calculated as if it were issued to provide those higher uniform amounts of insurance on the standard basis.

h. Adjusted premiums and present values referred to in [this section](#) shall for all policies of ordinary insurance be calculated on the basis of either 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; shall for all policies of industrial insurance be calculated on the basis of the commissioners 1961 standard industrial mortality table; and 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 paragraph “i” for policies issued in that calendar year. However:

(1) 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 paragraph “i”, for policies issued in the immediately preceding calendar year.

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

(3) 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.

(4) 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.

(5) For insurance issued on a substandard basis, the calculation of adjusted premiums and present values may be based on appropriate modifications of the tables referred to in this paragraph.

(6) For policies issued prior to the operative date of the valuation manual, any commissioners standard ordinary mortality tables adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner 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.

(7) For policies issued on or after the operative date of the valuation manual, the valuation manual shall provide the commissioners standard mortality table for use in determining the minimum forfeiture 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 commissioner approves by rule the commissioners standard ordinary mortality table adopted by the national association of insurance commissioners for use in determining the minimum nonforfeiture standard for policies or contracts issued on or after the operative date of the valuation manual, then that minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual.

(8) Any industrial mortality tables adopted after 1980 by the national association of insurance commissioners and approved by rule adopted by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the commissioners 1961 standard industrial mortality table or the commissioners 1961 industrial extended term insurance table.

(9) For policies issued on or after the operative date of the valuation manual, the valuation manual shall provide the commissioners standard ordinary 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 commissioner approves by rule any commissioners standard industrial mortality table adopted by the national association of insurance commissioners for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual, then that minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual.

i. The nonforfeiture interest rate is defined as follows:

(1) For policies issued prior to the operative date of the valuation manual, the nonforfeiture interest 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 the policy as defined in [section 508.36](#), rounded to the nearest one quarter of one percent, provided, however, that the nonforfeiture interest rate shall not be less than four percent.

(2) 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.

j. Notwithstanding any contrary provision of the insurance laws of this state, 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.

k. After the effective date of [this subsection](#), a company may file with the commissioner a written notice of its election to comply with [this subsection](#) after a specified date before

January 1, 1989, which shall be the operative date of [this subsection](#) for that company. If a company makes no election, the operative date of [this subsection](#) for the company is January 1, 1989.

8. 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 [subsection 2, 3, 4, 5, 6, or 7](#), then all of the following conditions must be met:

a. The commissioner 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 [subsection 2, 3, 4, 5, 6, or 7](#).

b. The commissioner must be satisfied that the benefits and the pattern of premiums of that plan are not misleading to prospective policyholders or insureds.

c. 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 rules adopted by the commissioner.

9. 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, and 7](#) 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 the additions. Notwithstanding [subsection 4](#), additional benefits payable in the event of death or dismemberment by accident or accidental means, or in the event of total and permanent disability, or as reversionary annuity or deferred reversionary annuity benefits, or 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, or 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 the 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, or as other policy benefits additional to life insurance and endowment benefits, and the premiums for all of these additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by [this section](#), and none of these additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

10. a. [This subsection](#), in addition to all other applicable subsections of [this section](#), applies to all policies issued on or after January 1, 1985. 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 is 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 specified in paragraph "b" plus the present value of any existing paid-up additions less the amount of any indebtedness to the company under the policy.

b. The basic cash value shall be equal to the present value, on the 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 paragraph "c", corresponding to premiums which would have fallen due on and after the anniversary. However, the effects on the basic cash value of supplemental life insurance or annuity benefits or of family coverage, as described in [subsection 4 or 6](#), whichever is applicable, shall be the same as the effects specified in [subsection 4 or 6](#), whichever is applicable, on the cash surrender values defined in that subsection.

c. (1) 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 [subsection 6 or 7](#),

whichever is applicable. Except as is required by subparagraph (2) of this paragraph, this percentage must satisfy both of the following requirements:

(a) It 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 is uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years.

(b) It must be such that no percentage after the later of the two policy anniversaries specified in division (a) of this subparagraph may apply to fewer than five consecutive policy years.

(2) A basic cash value shall not be less than the value which would be obtained if the adjusted premiums for the policy, as defined in [subsection 6 or 7](#), whichever is applicable, were substituted for the nonforfeiture factors in the calculation of the basic cash value.

d. 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.

e. 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 2, 3, 4, 5, 7, and 9](#). The amounts of any cash surrender values and of any paid-up nonforfeiture benefits granted in connection with additional benefits such as those described in [subsection 8](#) shall conform with the principles of [this subsection](#).

11. a. [This section](#) does not apply to any of the following:

- (1) Reinsurance.
- (2) Group insurance.
- (3) Pure endowment contracts.
- (4) Annuity or reversionary annuity contracts.

(5) A term policy of uniform amount which provides no guaranteed nonforfeiture or endowment benefits, or a renewal thereof of twenty years or less expiring before age seventy-one, for which uniform premiums are payable during the entire term of the policy.

(6) A term policy of decreasing amount, which provides no guaranteed nonforfeiture or endowment benefits, on which each adjusted premium, calculated as specified in [subsections 6 and 7](#), 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.

(7) A policy, which provides 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, 5, 6, and 7](#), exceeds two and one-half percent of the amount of insurance at the beginning of the same policy year.

(8) A policy delivered outside this state through an agent or other representative of the company issuing the policy.

b. For purposes of determining the applicability of [this section](#), the age at expiry for a joint term life insurance policy shall be the age at expiry of the oldest life.

12. After July 4, 1963, a company may file with the commissioner a written notice of its election to comply with [this section](#) after a specified date before January 1, 1966. The date specified by the company in the notice shall be the operative date of [this section](#) for the company, and [this section](#) shall apply to policies issued after that date by the company. If

a company makes no election, the operative date of [this section](#) for the company is January 1, 1966.

[C66, 71, 73, 75, 77, 79, 81, §508.37; [82 Acts, ch 1072, §3 – 7](#)]

[2012 Acts, ch 1023, §105, 157](#); [2012 Acts, ch 1138, §72](#); [2014 Acts, ch 1020, §10 – 15](#); [2014 Acts, ch 1141, §25](#); [2016 Acts, ch 1011, §89 – 91](#); [2017 Acts, ch 29, §144](#)

Referred to in [§508.36, 508A.5](#)

508.38 Standard nonforfeitures — deferred annuities.

[This section](#) shall be known as the “*Standard Nonforfeiture Law for Individual Deferred Annuities*”.

1. [This section](#) does not apply to any reinsurance, group annuity 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 United States Internal Revenue Code, as now or hereafter amended, premium deposit fund, variable annuity, investment annuity, immediate annuity, any deferred annuity contract after annuity payments have commenced, or reversionary annuity, nor to any contract which is delivered outside this state through an agent or other representative of the company issuing the contract.

2. *a.* In the case of contracts issued on or after the operative date of [this section](#) as defined in [subsection 11](#), no contract of annuity, except as stated in [subsection 1](#), shall be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions that in the opinion of the commissioner are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract:

(1) That upon cessation of payment of considerations under a contract or upon the written request of the contract owner, the company shall grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified in [subsections 4, 5, 6, 7, and 9](#).

(2) If a contract provides for a lump sum settlement at maturity, or at any other time, that upon surrender of the contract at or prior to the commencement of any annuity payments, the company shall pay in lieu of a paid-up annuity benefit a cash surrender benefit of such amount as is specified in [subsections 4, 5, 7, and 9](#). The company may reserve the right to defer the payment of such cash surrender benefit for a period not to exceed six months after demand therefore with surrender of the contract after making written request and receiving written approval of the commissioner. The request shall address the necessity and equitability to all policyholders of the deferral.

(3) A statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of such benefits.

(4) A statement that any paid-up annuity, cash surrender or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which such benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract or any prior withdrawals from or partial surrenders of the contract.

b. Notwithstanding the requirements of this [subsection 2](#), any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from considerations paid prior to such period would be less than twenty dollars monthly, the company may at its option terminate such contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of any further obligation under such contract.

3. The minimum values as specified in [subsections 4, 5, 6, 7, and 9](#) of any paid-up annuity, cash surrender, or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined in [this section](#).

a. (1) The minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to such time at rates of interest as indicated in paragraph “b” of the net considerations, as hereinafter defined, paid prior to such time, decreased by the sum of all of the following:

(a) Any prior withdrawals from or partial surrenders of the contract accumulated at rates of interest as indicated in paragraph “b”.

(b) An annual contract charge of fifty dollars, accumulated at rates of interest as indicated in paragraph “b”.

(c) The amount of any indebtedness to the company on the contract, including interest due and accrued.

(2) The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount equal to eighty-seven and one-half percent of the gross considerations credited to the contract during the contract year.

b. (1) The interest rate used in determining minimum nonforfeiture amounts shall be an annual rate of interest determined as the lesser of three percent per annum and all of the following, which shall be specified in the contract if the interest rate will be reset:

(a) The five-year constant maturity treasury rate reported by the federal reserve as of a date, or average over a period, rounded to the nearest one-twentieth of one percent, specified in the contract no longer than fifteen months prior to the contract issue date or redetermination date under subparagraph division (d).

(b) The result of subparagraph division (a) shall be reduced by one hundred twenty-five basis points.

(c) The resulting interest guarantee shall not be less than fifteen hundredths percent.

(d) The interest rate shall apply for an initial period and may be redetermined for additional periods. The redetermination date, basis, and period, if any, shall be stated in the contract. The basis is the date or average over a specified period that produces the value of the five-year constant maturity treasury rate to be used at each redetermination date.

(2) During the period or term that a contract provides substantive participation in an equity indexed benefit, it may increase the reduction described in subparagraph (1), subparagraph division (b), by up to an additional one hundred basis points to reflect the value of the equity index benefit. The present value at the contract issue date and at each redetermination date thereafter of the additional reduction shall not exceed the market value of the benefit. The commissioner may require a demonstration that the present value of the reduction does not exceed the market value of the benefit. Lacking such a demonstration that is acceptable to the commissioner, the commissioner may disallow or limit the additional reduction.

(3) The commissioner may adopt rules to implement the provisions of subparagraph (1), subparagraph division (d), and to provide for further adjustments to the calculation of minimum nonforfeiture amounts for contracts that provide substantive participation in an equity index benefit and for other contracts that the commissioner determines adjustments are justified.

4. Any paid-up annuity benefit available under a contract shall be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. Such present value shall be computed using the mortality table, if any, and the interest rate specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract.

5. For contracts which provide cash surrender benefits, such cash surrender benefits available prior to maturity shall not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit which would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, such present value being calculated on the basis of an interest rate not more than one percent higher than the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, decreased by the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company

to the contract. In no event shall any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death benefit under such contracts shall be at least equal to the cash surrender benefit.

6. For contracts which do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity shall not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the time the contract is surrendered in exchange for or changed to, a deferred paid-up annuity, such present value being calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, and increased by any existing additional amounts credited by the company to the contract. For contracts which do not provide any death benefits prior to the commencement of any annuity payments, such present values shall be calculated on the basis of such interest rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. However, in no event shall the present value of a paid-up annuity benefit be less than the minimum nonforfeiture amount at that time.

7. For the purpose of determining the benefits calculated under [subsections 5 and 6](#), in the case of annuity contracts under which an election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be deemed to be the latest date for which election shall be permitted by the contract, but shall not be deemed to be later than the anniversary of the contract next following the annuitant's seventieth birthday or the tenth anniversary of the contract, whichever is later.

8. Any contract which does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount prior to the commencement of any annuity payments shall include a statement in a prominent place in the contract that such benefits are not provided.

9. Any paid-up annuity, cash surrender or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, shall be calculated with allowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs.

10. *a.* For any contract which provides, within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum nonforfeiture benefits shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract. Notwithstanding the provisions of [subsections 4, 5, 6, 7, and 9](#), additional benefits shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits that may be required by [this section](#), if the additional benefits are payable:

- (1) In the event of total and permanent disability.
- (2) As reversionary annuity or deferred reversionary annuity benefits.
- (3) As other policy benefits additional to life insurance, endowment, and annuity benefits, and considerations for all such additional benefits.

b. The inclusion of such additional benefits shall not be required in any paid-up benefits, unless such additional benefits separately would require minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits.

11. After July 1, 2003, a company may elect either to apply the provisions of [this section](#) as it existed prior to July 1, 2003, or to apply the provisions of [this section](#) as amended by [2003 Iowa Acts, ch. 91, § 8 – 10](#), to annuity contracts on a contract form-by-form basis before July 1, 2005. In all other instances, [this section](#) shall become operative with respect to annuity contracts issued by the company two years after July 1, 2003.

[C81, §508.38]

[2002 Acts, ch 1111, §10; 2003 Acts, ch 91, §8 – 10; 2004 Acts, ch 1086, §103, 107; 2004 Acts, ch 1101, §70; 2012 Acts, ch 1023, §106, 157; 2013 Acts, ch 90, §151; 2014 Acts, ch 1026, §143; 2015 Acts, ch 29, §71; 2016 Acts, ch 1011, §92; 2021 Acts, ch 181, §5](#)

508.39 Dividends.

The directors or managers of a stock company, incorporated under the laws of this state, shall make no dividends except from the earned profits arising from their business, which shall not include contributed capital or contributed surplus.

[88 Acts, ch 1112, §603](#)