191—112.5(521B) Definitions.

"Actuarial method" means the methodology used to determine the required level of primary security, as described in rule 191—112.6(521B).

"Covered policies" means the following: Subject to the exemptions described in rule 191—112.4(521B), covered policies are those policies, other than grandfathered policies, of the following policy types:

1. Life insurance policies with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits or both, except for flexible premium universal life insurance policies; or
2. Flexible premium universal life insurance policies with provisions resulting in the ability of a policyholder to keep a policy in force over a secondary guarantee period.

"Grandfathered policies" means policies of the types described in the definition of "covered policies" above that were:

1. Issued prior to January 1, 2015; and
2. Ceded, as of December 31, 2014, as part of a reinsurance treaty that would not have met one of the exemptions set forth in rule 191—112.4(521B) had that rule then been in effect.

"Noncovered policies" means any policy that does not meet the definition of "covered policies," including grandfathered policies.

"Other security" means any security acceptable to the commissioner other than security meeting the definition of "primary security."

"Primary security" means the following forms of security:

1. Cash meeting the requirements of Iowa Code section 521B.103(2)*"a"*;
2. Securities listed by the NAIC Securities Valuation Office meeting the requirements of Iowa Code section 521B.103(2)*"b,"* but excluding any synthetic letter of credit, contingent note, credit-linked note or other similar security that operates in a manner similar to a letter of credit, and excluding any securities issued by the ceding insurer or any of its affiliates; and
3. For security held in connection with funds-withheld and modified coinsurance reinsurance treaties:

- Commercial loans in good standing of CM3 quality and higher;
- Policy loans; and
- Derivatives acquired in the normal course and used to support and hedge liabilities pertaining to the actual risks in the policies ceded pursuant to the reinsurance treaty.

"Required level of primary security" means the dollar amount determined by applying the actuarial method to the risks ceded with respect to covered policies, but not more than the total reserve ceded.

"Valuation manual" means the valuation manual adopted by the NAIC as described in Iowa Code section 508.36(14)*"b"*(1), with all amendments adopted by the NAIC that are effective for the financial statement date on which credit for reinsurance is claimed.

"VM-20" means "Requirements for Principle-Based Reserves for Life Products," including all relevant definitions, from the valuation manual.

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