CHAPTER 547

AN ACT HB 2469

Relating to risk management for financial solvency of insurers; creating new provisions; amending ORS 732.586, 733.302, 733.304, 733.316, 733.318, 743.204 and 743.215; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Sections 2 to 9 of this 2015 Act are added to and made a part of the Insurance Code.

SECTION 2. As used in sections 2 to 9 of this 2015 Act:

(1) "Insurance group" means insurers and affiliates within an insurance holding company system, as defined in ORS 732.548.

(2) "Insurer" has the meaning given that term in ORS 732.548.

(3) "Own risk and solvency assessment" means a confidential internal assessment of the material and relevant risks associated with an insurer's or insurance group's business plan and of the sufficiency of capital resources to support the business plan that the insurer or insurance group conducts and that is appropriate for the nature, scale and complexity of the insurer or insurance group.

(4) "Own Risk and Solvency Assessment Guidance Manual" means the Own Risk and Solvency Assessment Guidance Manual that the National Association of Insurance Commissioners develops and adopts and that the Director of the Department of Consumer and Business Services by rule or order designates as guidance and standards for completing an own risk and solvency assessment.

(5) "Own risk and solvency assessment summary report" means a confidential high-level summary of an insurer's or insurance group's own risk and solvency assessment.

SECTION 3. (1) Sections 2 to 9 of this 2015 Act provide:

(a) Requirements for maintaining a risk management framework and completing an own risk and solvency assessment; and

(b) Guidance and instructions for filing an own risk and solvency assessment summary report with the Director of the Department of Consumer and Business Services.

(2) Sections 2 to 9 of this 2015 Act apply to all insurers domiciled in this state unless an insurer is exempt under section 7 of this 2015 Act.

SECTION 4. An insurer shall maintain a risk management framework to assist the insurer with identifying, assessing, monitoring, managing and reporting on the insurer's material and relevant risks. The insurer satisfies this requirement if the insurance group of which the insurer is a member maintains a risk management framework applicable to the operations of the insurer.

SECTION 5. (1) Subject to the provisions of section 7 of this 2015 Act, an insurer, or the insurance group of which the insurer is a member, shall use a process that is comparable to the process described in the Own Risk and Solvency Assessment Guidance Manual to regularly conduct an own risk and solvency assessment. The insurer, or the insurance group of which the insurer is a member, shall conduct the assessment at least annually but also at any time when significant changes occur in the risk profile of the insurer or insurance group.

(2) A change in the Own Risk and Solvency Assessment Guidance Manual takes effect on a date that the Director of the Department of Consumer and Business Services specifies.

SECTION 6. (1) At the request of the Director of the Department of Consumer and Business Services, and not more than once each year, an insurer shall submit to the director an own risk and solvency assessment summary report, or any combination of reports that together contain the information described in the Own Risk and Solvency Assessment Guidance Manual, for the insurer or the insurance group of which the insurer is a member. If the insurer is a member of an insurance group and the director is the lead state director for the insurance group, the insurer shall submit the own risk and solvency assessment summary report or combination of reports without waiting for a request from the director.

(2) The insurer's or insurance group's chief risk officer, or another executive who has responsibility for overseeing the insurer's or insurance group's enterprise risk management process, shall attest in a signed statement in the own risk and solvency assessment summary report that to the best of the officer's or executive's belief and knowledge the insurer applies the enterprise risk management process described in the insurer's own risk and solvency assessment summary report and that a copy of the report has been provided to the insurer's board of directors or an appropriate committee of the board of directors.

(3) An insurer may comply with subsection (1) of this section by providing the most recent and substantially similar report that the insurer or another member of an insurance group of which the insurer is a member provided to the director of another state or to a supervisor or regulator of a foreign jurisdiction, if the report provides information that is comparable to the information described in the Own Risk and Solvency Assessment Guidance Manual. An

insurer that submits a report that is written in a language other than English must accompany the report with a translation of the report into the English language.

(4) An insurer that must submit a report under this section shall submit the report in accordance with a schedule the director establishes, unless the director for good cause shown extends the time for submitting the report.

SECTION 7. (1) An insurer is exempt from the requirements of sections 2 to 9 of this 2015 Act if:

(a) The insurer has annual direct written and unaffiliated assumed premium of less than $500 million, including international direct and assumed premium but excluding premiums reinsured with the Federal Crop Insurance Corporation and National Flood Insurance Program; and

(b) The insurance group of which the insurer is a member has annual direct written and unaffiliated assumed premium of less than $1 billion, including international direct and assumed premium but excluding premiums reinsured with the Federal Crop Insurance Corporation and National Flood Insurance Program.

(2) If an insurer is exempt under subsection (1)(a) of this section, but the insurance group of which the insurer is a member is not exempt under subsection (1)(b) of this section, the own risk and solvency assessment summary report required under section 6 of this 2015 Act must include every insurer within the insurance group. The insurer may satisfy this requirement by submitting more than one own risk and solvency assessment summary report for any combination of insurers, if the combination of reports includes every insurer within the insurance group.

(3) If an insurer is not exempt under subsection (1)(a) of this section but the insurance group of which the insurer is a member is exempt under subsection (1)(b) of this section, the only own risk and solvency assessment summary report required under section 6 of this 2015 Act is the report that applies to the insurer.

(4) An insurer that is not exempt under subsection (1) of this section may apply to the Director of the Department of Consumer and Business Services for a waiver from the requirements of sections 2 to 9 of this 2015 Act based upon unique circumstances. In deciding whether to grant the insurer's request for a waiver, the director may consider the type and volume of business the insurer writes, the insurer's ownership and organizational structure and any other factor the director considers relevant to the insurer or insurance group of which the insurer is a member. If the insurer is part of an insurance group with insurers that are domiciled in more than one state, the director shall coordinate with the lead state director and with the other domiciliary directors in considering whether to grant the insurer's request for a waiver.

(5) Notwithstanding the exemptions stated in this section, the director may require an insurer to maintain a risk management framework, conduct an own risk and solvency assessment and file an own risk and solvency assessment summary report:

(a) Based on unique circumstances that include, but are not limited to, the type and volume of business the insurer writes, the insurer's ownership and organizational structure, federal agency requests and international supervisor requests; or

(b) If the insurer has risk-based capital that falls into company action level, meets one or more of the standards the director established under ORS 731.385 to determine whether an insurer is in hazardous financial condition or otherwise exhibits qualities that the director determines are characteristic of a troubled insurer.

(6) If an insurer that was exempt under subsection (1) of this section subsequently no longer qualifies for an exemption because of changes in premium that are reflected in the insurer's most recent annual statement or in the most recent annual statements of insurers within the insurance group of which the insurer is a member, the insurer has one year after the date on which the insurer is no longer exempt to comply with sections 2 to 9 of this 2015 Act.

SECTION 8. (1) Each insurer that must prepare an own risk and solvency assessment summary report shall prepare the report consistent with the current version of the Own Risk and Solvency Assessment Guidance Manual, subject to the requirements of subsection (2) of this section. The insurer shall maintain documentation and supporting information and make the documentation and supporting information available when the Director of the Department of Consumer and Business Services examines the insurer or at the director's request.

(2) The director shall review an own risk and solvency assessment summary report, and make any additional requests for information, using procedures currently used in analyzing and examining multistate or global insurers and insurance groups.

SECTION 9. (1) All documents, materials or other information, including any own risk and solvency assessment summary report, that the Department of Consumer and Business Services possesses or controls, that the Director of the Department of Consumer and Business Services obtained or created or that were otherwise disclosed to the director or any other person in the course of implementing sections 2 to 9 of this

2015 Act are confidential, are subject to the provisions of ORS 705.137, 705.138, 705.139 and 731.312 and are not subject to disclosure under ORS 192.410 to 192.505.

(2) Notwithstanding subsection (1) of this section, the director may:

(a) Use the documents, materials or other information in any regulatory or legal action the director brings as a part of the director's official duties.

(b) Share documents, materials or other information related to an own risk and solvency assessment, including confidential documents and information, only:

(A) As provided in ORS 705.137, 705.138 and 705.139 in response to a request from a chief insurance regulatory official, the National Association of Insurance Commissioners or a state, federal, foreign or international law enforcement agency; and

(B) After receiving written consent from the affected insurer.

(c) Share documents or materials or other information related to an own risk and solvency assessment with any third-party consultants the director designates, but only if the consultant:

(A) Agrees in writing to keep the documents, materials or other information confidential; and

(B) Demonstrates in writing and to the director's satisfaction that the consultant has the capacity and legal authority to keep the documents, materials or other information confidential.

(3) In addition to the requirements of ORS 705.137, 705.138 and 731.312, the director shall enter into a written agreement with the National Association of Insurance Commissioners or a third-party consultant that:

(a) Prohibits the National Association of Insurance Commissioners or a third-party consultant from storing the information the director or the department shares under sections 2 to 9 of this 2015 Act in a permanent database after the underlying analysis is complete; and

(b) Requires that an affected insurer must give written consent before a third-party consultant may disclose any documents, material or information the director or the department shares under sections 2 to 9 of this 2015 Act.

SECTION 10. Sections 11 to 20 of this 2015 Act are added to and made a part of ORS 733.300 to 733.322.

SECTION 11. As used in sections 11 to 20 of this 2015 Act:

(1) "Accident and health insurance" means a contract that incorporates morbidity risk and provides protection against economic loss that results from accident, sickness or a medical condition.

(2) "Appointed actuary" means a qualified actuary that an insurer appoints in accordance with the valuation manual to prepare the actuarial opinion required under section 13 of this 2015 Act.

(3) "Deposit-type contract" means a contract that does not incorporate mortality or morbidity risks.

(4) "Insurer" means an entity that has:

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

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

(5) "Life insurance" means a contract that incorporates mortality risk, including an annuity contract and a pure endowment contract.

(6) "Operative date of the valuation manual" means the date on which the Director of the Department of Consumer and Business Services adopts the valuation manual by rule in accordance with section 16 of this 2015 Act.

(7) "Principle-based valuation" means a reserve valuation that uses one or more methods or one or more assumptions that the insurer determines and that must comply with section 17 of this 2015 Act as specified in the valuation manual.

(8) "Qualified actuary" means an individual who:

(a) Is qualified to sign the applicable statement of actuarial opinion in accordance with standards that the director establishes by rule, taking into consideration standards that the American Academy of Actuaries establishes for actuaries that sign statements of actuarial opinion; and

(b) Meets the requirements set forth in the valuation manual.

(9) "Reserves" means reserve liabilities.

(10) "Valuation manual" means the manual of valuation instructions that the director adopts in accordance with section 16 of this 2015 Act.

SECTION 12. (1) The Director of the Department of Consumer and Business Services each year shall value, or cause to be valued, the reserve liabilities for all outstanding accident and health contracts, annuity and pure endowment contracts, deposit-type contracts and life insurance contracts that every insurer issues on or after the operative date of the valuation manual.

(2) In lieu of valuing or causing a valuation of the reserves required of any foreign or alien

insurer, the director may accept any valuation that the insurance supervisory official of any state or other jurisdiction makes or causes to be made if the valuation complies with the minimum standard under the Standard Valuation Law.

(3) The provisions set forth in sections 15 to 17 of this 2015 Act apply to all policies and contracts that insurers issue on or after the operative date of the valuation manual.

SECTION 13. (1)(a) Every insurer that has outstanding accident and health insurance contracts, deposit-type contracts or life insurance contracts in this state and is subject to regulation by the Director of the Department of Consumer and Business Services shall annually submit to the director the opinion of an appointed actuary as to whether the reserves and related actuarial items the insurer holds 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 opinion must comply with the specific standards and scope set forth in the valuation manual and must:

(A) Meet the specifications for form and substance set forth in the valuation manual and otherwise be acceptable to the director.

(B) Accompany an annual statement that reflects the valuation of reserve liabilities for each year that ends on or after the operative date of the valuation manual.

(C) Apply to all policies and contracts that are subject to subsection (2) of this section, plus other actuarial liabilities that the valuation manual may specify.

(D) Be based on standards that the Actuarial Standards Board adopts, or that a successor to the Actuarial Standards Board adopts, and on any other additional standards that the valuation manual prescribes and that the director adopts by rule.

(b) The director may accept an opinion that a foreign or alien insurer filed with the insurance supervisory official of another state as the opinion the foreign or alien insurer must submit under this section if the director determines that the opinion reasonably meets the requirements that apply to an insurer domiciled in this state.

(2)(a) Every insurer that has outstanding accident and health insurance contracts, deposit-type contracts or life insurance contracts in this state, that is subject to regulation by the director and that is not exempted in the valuation manual shall include in the opinion required under subsection (1) of this section an opinion of the same appointed actuary as to whether the reserves and related actuarial items the insurer holds in support of the policies and contracts specified in the valuation manual, when considered in light of the assets the insurer holds with respect to the reserves and related actuarial items, including but not limited to investment earnings on the assets and the considerations the insurer expects to receive and retain under the policies and contracts, provide adequately for the insurer's obligations under the policies and contracts, including but not limited to the benefits under and expenses associated with the policies and contracts.

(b) For each opinion that an insurer submits under paragraph (a) of this subsection, the insurer shall support the opinion with a memorandum that meets the specifications for form and substance set forth in the valuation manual and that is otherwise acceptable to the director. If the insurer fails to provide a supporting memorandum at the director's request within a period specified in the valuation manual, or if the director determines that the supporting memorandum the insurer provides fails to meet the standards prescribed by the valuation manual or is otherwise unacceptable, the director may engage a qualified actuary at the insurer's expense to review the opinion and the basis for the opinion and to prepare the supporting memorandum the director requires.

(3) Except in cases of fraud or willful misconduct, the appointed actuary is not liable for damages to any person other than the insurer and the director for any act, error, omission, decision or conduct with respect to the appointed actuary's opinion.

(4) The director shall take any disciplinary action against an insurer or an appointed actuary in accordance with rules the director adopts.

SECTION 14. For accident and health insurance contracts issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual is the minimum standard of valuation required under section 12 of this 2015 Act. The Director of the Department of Consumer and Business Services by rule shall adopt the minimum standard of valuation for disability, accident and sickness, accident and health insurance contracts issued on or after the operative date stated in ORS 743.204 (2) for the Standard Nonforfeiture Law for Life Insurance and before the operative date of the valuation manual.

SECTION 15. (1) Except as provided in subsection (2) or (4) of this section, for policies issued on or after the operative date of the valuation manual, the standard prescribed in the valuation manual is the minimum standard of valuation required under section 12 of this 2015 Act.

(2) In the absence of a specific valuation requirement, or if a specific valuation requirement in the valuation manual does not, in the opinion

of the Director of the Department of Consumer and Business Services, comply with the Standard Valuation Law, the insurer shall comply with minimum valuation standards the director adopts by rule.

(3) The director may engage a qualified actuary at the insurer's expense to perform an actuarial examination of the insurer and to issue an opinion as to the appropriateness of any reserve assumption or method the insurer uses, or to review and issue an opinion as to an insurer's compliance with any requirement set forth in the Standard Valuation Law. With respect to provisions in the Standard Valuation Law, the director may rely on the opinion of a qualified actuary that the director of another state, district or territory of the United States employs, contracts with or otherwise engages.

(4) The director may require an insurer to change any assumption or method that, in the director's opinion, is necessary to comply with the requirements of the valuation manual or the Standard Valuation Law. The insurer shall adjust the reserves as the director requires. The director may take other disciplinary action in accordance with the requirements for a contested case proceeding under ORS 183.

SECTION 16. (1) The Director of the Department of Consumer and Business Services shall prescribe the form of the valuation manual. The director shall consider and may prescribe the valuation manual or other form that the National Association of Insurance Commissioners establishes, including instructions that the National Association of Insurance Commissioners prepares for complying with the valuation manual. If the director adopts the valuation manual and instructions that the National Association of Insurance Commissioners establishes, an insurer that submits the opinion required under section 13 of this 2015 Act must complete the opinion according to the instructions. The director may require the insurer to file information in addition to the information required in the valuation manual.

(2) The director shall adopt the valuation manual and specify the operative date of the valuation manual as January 1 of the first calendar year after the first July 1 in which the director determines that all of the following have occurred:

(a) The National Association of Insurance Commissioners adopted the valuation manual with an affirmative vote of at least 42 members, or three-fourths of the members voting, whichever is greater.

(b) States that represent 75 percent of the direct premiums written as reported in the annual statements submitted in 2008 for accident and health, fraternal, health or life insurance have enacted the Standard Valuation Law, as amended by the National Association of Insurance Commissioners in 2009, or legislation that includes substantially similar terms and provisions.

(c) At least 42 jurisdictions out of the 50 states of the United States, American Samoa, the American Virgin Islands, the District of Columbia, Guam and Puerto Rico have enacted the Standard Valuation Law, as amended by the National Association of Insurance Commissioners in 2009, or legislation that includes substantially similar terms and provisions.

(3) Unless a change in the valuation manual specifies a later effective date, changes to the valuation manual are effective on the date the director specifies in adopting the change. In determining the effective date of a change to the valuation manual, the director may specify the effective date as January 1 of the first calendar year after the National Association of Insurance Commissioners has adopted the change to the valuation manual with an affirmative vote that represents:

(a) At least three-fourths of the members of the National Association of Insurance Commissioners voting, but not less than a majority of the total membership; and

(b) Members of the National Association of Insurance Commissioners who represent jurisdictions totaling more than 75 percent of the direct premiums written as reported in the annual statements submitted for accident and health, fraternal, health or life insurance that were most recently available before the vote described in paragraph (a) of this subsection.

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

(a) Minimum valuation standards for, and definitions of, the policies or contracts that are subject to section 12 of this 2015 Act. The minimum valuation standards must be:

(A) The director's reserve valuation method for life insurance contracts, other than annuity contracts, that are subject to section 12 of this 2015 Act;

(B) The director's annuity reserve valuation method for annuity contracts that are subject to section 12 of this 2015 Act; and

(C) Minimum reserves for all other policies or contracts that are subject to section 12 of this 2015 Act.

(b) Policies or contracts or types of policies or contracts that are subject to the requirements of a principle-based valuation under section 17 of this 2015 Act and the minimum valuation standards that are consistent with the requirements.

(c) For policies and contracts that are subject to a principle-based valuation under section 17 of this 2015 Act:

(A) Requirements for the format of reports to the director under section 17 (3)(c) of this 2015 Act and information that is necessary to

determine if the valuation is appropriate and complies with the Standard Valuation Law;

(B) Assumptions for risks over which the insurer does not have significant control or influence; and

(C) Procedures for corporate governance and oversight of the actuarial function, and a process for waiving or modifying the procedures in appropriate cases.

(d) For policies that are not subject to a principle-based valuation under section 17 of this 2015 Act, that the minimum valuation standard must:

(A) Be consistent with the minimum standard of valuation before the operative date of the valuation manual; or

(B) Specify reserves that quantify the benefits, guarantees and funding associated with the contracts and the contracts' risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring.

(e) The data and the form of the data required under section 18 of this 2015 Act, to whom the data must be submitted and any related items, including data analyses and reporting of analyses, that may be required.

(f) Other requirements that include, but are not limited to, requirements that relate to reserve methods, models for measuring risk, generation of economic scenarios, assumptions, margins, use of insurer experience, risk measurement, disclosure, certifications, reports, actuarial opinions and memorandums, transition rules and internal controls.

SECTION 17. (1) As used in this section, "tail risk" means a risk that occurs either when the frequency of low probability events is higher than expected under a normal probability distribution or when there are observed events of very significant size or magnitude.

(2) An insurer must establish reserves using a principle-based valuation that requires for policies or contracts, as specified in the valuation manual:

(a) A quantification of the benefits, guarantees and funding associated with the contracts and the contracts' risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring during the lifetime of the contracts. For polices or contracts with significant tail risk, the valuation must quantify the tail risk by including assumptions concerning appropriately adverse conditions.

(b) Assumptions, risk analysis methods, financial models and management techniques that are consistent with, but not necessarily identical to, assumptions, risk analysis methods, financial models and management techniques that the insurer uses within the insurer's overall risk assessment process, while recognizing potential differences in financial reporting structures and any prescribed assumptions or methods.

(c) Assumptions that are derived from:

(A) A prescription in the valuation manual; or

(B) If the valuation manual does not have a prescription, from other methods that are established using:

(i) The insurer's available experience, to the extent that the insurer's experience is relevant and statistically credible; or

(ii) Other relevant, statistically credible experience if the insurer's experience is not available, relevant or statistically credible.

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

(3) An insurer that uses a principle-based valuation for one or more policies or contracts that are subject to this section, as specified in the valuation manual, shall:

(a) Establish procedures for corporate governance and for overseeing the actuarial valuation function that are consistent with the procedures described in the valuation manual.

(b) Provide to the Director of the Department of Consumer and Business Services and the insurer's board of directors an annual certification of the effectiveness of internal controls with respect to the principle-based valuation. The controls must be designed to ensure that all material risks inherent in the liabilities and associated assets that are subject to the valuation are included in the valuation, and that the insurer makes valuations in accordance with the valuation manual. The insurer shall base the certification on the controls that are in place as of the end of the preceding calendar year.

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

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

SECTION 18. An insurer shall submit mortality, morbidity, policyholder behavior or expense experience and other data to the appropriate entity as prescribed in the valuation manual. As used in this section, "policyholder behavior" means any action that a policyholder, a contract holder or any other person with the right to elect options, such as a certificate holder, may take under a policy or contract that is subject to ORS 733.300 to 733.322, including but not limited to lapse, withdrawal, transfer, deposit, premium payment, loan, annuitization or benefit elections that the policy or contract prescribes but excluding events of mortality or morbidity that result in benefits the essential

aspects of which the terms of the policy or contract prescribe.

SECTION 19. (1) As used in this section, "confidential information" means:

(a) A memorandum in support of an opinion submitted under ORS 733.304 or section 13 of this 2015 Act and any other documents, materials and other information including, but not limited to, all working papers and copies of working papers that are created, produced or obtained by or disclosed to the Director of the Department of Consumer and Business Services or any other person in connection with the memorandum.

(b) All documents, materials and other information including, but not limited to, all working papers and copies of working papers that are created, produced or obtained by or disclosed to the director or any other person in the course of an examination under section 15 of this 2015 Act, except that if an examination report or other material that is prepared in connection with an examination under ORS 731.312 is not held as private and confidential information under ORS 731.312, an examination report or other material that is prepared in connection with an examination under section 15 (3) of this 2015 Act is confidential information to the same extent as the examination report or other material that was prepared under ORS 731.312.

(c) Any reports, documents, materials or other information that an insurer develops in support of, or in connection with, the annual certification the insurer submits under section 17 (3)(b) of this 2015 Act to evaluate the effectiveness of the insurer's internal controls with respect to a principle-based valuation and any other documents, materials and other information including, but not limited to, all working papers and copies of working papers that are created, produced or obtained by or disclosed to the director or any other person in connection with the reports, documents, materials and other information.

(d) Any principle-based valuation report developed under section 17 (3)(c) of this 2015 Act and any other documents, materials and other information including, but not limited to, all working papers and copies of working papers that are created, produced or obtained by or disclosed to the director or any other person in connection with the report.

(e) Any documents, materials, data and other information that an insurer submits under section 18 of this 2015 Act and any other documents, materials, data and other information including, but not limited to, all working papers and copies of working papers that are created or produced in connection with the materials, data and other information, to the extent that the documents, materials, data, information and working papers include information that identifies the insurer or could be used to identify a particular person, if the documents, materials data or other information and the working papers are provided to or obtained by or disclosed to the director or any other person in connection or compliance with the provision of section 18 of this 2015 Act.

(2)(a) Except as provided in this section, an insurer's confidential information is confidential by law and privileged as provided in ORS 705.137, 705.138 and 705.139, and is not subject to ORS 192.410 to 192.505.

(b) The director may share confidential information of the type defined in subsection (1)(a) or (d) of this section with state, federal and international law enforcement officials and with the Actuarial Board for Counseling and Discipline or a successor to the Actuarial Board for Counseling and Discipline, including the employees, agents, consultants and contractors of the board or law enforcement agency, if:

(A) The director receives a request that states that the confidential information is necessary for the purpose of professional disciplinary proceedings; and

(B) The person from which the director receives the request has the legal authority to agree, and does agree, to maintain the confidentiality of and provide a privilege for the documents, materials, data and other information in the same manner and to the same extent that the director must maintain the confidentiality of and privilege provided for the documents, materials, data and other information under this section.

(c) The director may receive documents, materials, data and other information, including otherwise confidential and privileged documents, materials, data or information, from the Actuarial Board for Counseling and Discipline or a successor to the Actuarial Board for Counseling and Discipline and shall maintain the confidentiality of and provide a privilege for any document, material, data or other information the director receives with the understanding that the document, material or other information is confidential or privileged under the laws of the jurisdiction that is the source of the document, material or other information.

(3) Notwithstanding subsection (2) of this section:

(a) The director may release confidential information of the type defined in subsection (1)(a) or (d) of this section:

(A) In response to a subpoena for the purpose of defending an action that seeks damages from the appointed actuary who prepares a memorandum in support of an opinion that an insurer submits under ORS 733.304 or section 13 of this 2015 Act, or a principle-based valuation report that the insurer developed under section 17 of this 2015 Act, if the confidential informa-

tion is subject to subpoena under an action required under ORS 733.300 to 733.322 or under a rule the director adopts under ORS 733.300 to 733.322; or

(B) With the written consent of the insurer.

(b) Confidential information of the type defined in subsection (1)(a) or (d) of this section is no longer confidential if an insurer cites in the insurer's marketing, volunteers publicly to or before a government agency other than the Department of Consumer and Business Services or an equivalent agency in another state or the employees, agents, consultants or contractors of the department or agency, or releases to the news media any portion of a memorandum in support of an opinion the insurer submitted under section 13 of this 2015 Act or a principle-based valuation report the insurer developed under section 17 of this 2015 Act.

SECTION 20. (1) Specific product forms or product lines of a domestic insurer that is licensed in and does business only in this state are exempt from the requirements of section 15 of this 2015 Act if:

(a) The Director of the Department of Consumer and Business Services issues the exemption to the insurer in writing and does not subsequently revoke the exemption in writing;

(b) The director identifies the specific product form or product line in the written exemption; and

(c) The insurer computes reserves using assumptions and methods the insurer used before the operative date of the valuation manual and otherwise complies with any requirements the director specifies by rule.

(2) ORS 733.304, 733.306, 733.308, 733.310, 733.312, 733.314, 733.316, 733.318, 733.320 and 733.322 and sections 13 and 14 of this 2015 Act apply to an insurer that has an exemption under this section.

SECTION 21. ORS 732.586 is amended to read:

732.586. (1) All information, documents and copies of information or documents obtained by or disclosed to the Director of the Department of Consumer and Business Services or any other person in the course of an examination or investigation under ORS 732.584 are subject to the provisions of ORS 731.312.

(2) All information reported in accordance with ORS 732.552, 732.554, **732.569,** 732.574 and 732.576 **and section 6 of this 2015 Act** is confidential and may not be made public except as provided in this subsection. The director may disclose reported information only as provided in ORS 705.137 or only if:

(a) The director obtains the prior written consent of the insurer to which the reported information pertains; or

(b) The director, after giving the insurer and the insurer's affiliates that would be affected by the disclosure notice and opportunity to be heard, determines that disclosing the information will serve the interest of policyholders, shareholders or the public. If the director determines that disclosing the information will serve one or more of such interests, the director may publish all or any part of the information in any manner that the director determines is appropriate.

(3) The director's sharing of information under ORS 732.517 to 732.592 does not delegate regulatory or rulemaking authority. The director is solely responsible for administering, executing and enforcing ORS 732.517 to 732.592.

SECTION 22. ORS 733.302 is amended to read:

733.302. (1) The Director of the Department of Consumer and Business Services shall annually value, or cause to be valued, the reserve liabilities for all outstanding life insurance policies and annuity and pure endowment contracts [*of*] **that** every life insurer doing business in this state[*, and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest, and methods, net level premium method or other, used in the calculations of such reserves. For purposes of ORS 733.300 to 733.322, reserve liabilities shall be referred to as reserves.*] **issued on or after the operative date stated in ORS 743.204 for the Standard Nonforfeiture Law for Life Insurance and before the operative date of the valuation manual.**

(2) In calculating reserves, the director may use group methods and approximate averages for fractions of a year or otherwise.

(3) In lieu of the valuation of the reserves required of any foreign or alien insurer under the Standard Valuation Law, the director may accept any valuation [*made, or caused to be made, by*] **that** the insurance supervisory official of any state or other jurisdiction [*when*] **makes or causes to be made if** the valuation complies with the minimum standard provided under the Standard Valuation Law [*and if the official of the state or jurisdiction accepts as sufficient and for all valid legal purposes the certificate of valuation of the director when the certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction*].

SECTION 23. ORS 733.304 is amended to read:

733.304. (1) Each insurer [*transacting*] **that transacts** life insurance in this state shall submit annually to the Director of the Department of Consumer and Business Services the opinion of a qualified actuary as provided in this section. The following provisions apply with respect to **all** opinions required under this [*subsection*] **section**:

(a) The opinion must state whether, in the opinion of the qualified actuary, the reserves and related actuarial items [*held*] **the insurer holds** in support of the policies and contracts specified by the director

by rule 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 director by rule shall establish the specific requirements for the opinion and may require any other items that the director determines to be necessary to [*its*] **the opinion's** scope.

(b) The opinion [*shall*] **must** be submitted with [*the*] **an** annual statement [*reflecting*] **that reflects** the valuation of the reserve liabilities for each year.

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

(d) The director by rule:

(A) Shall adopt standards on which actuarial opinions under this subsection must be based. In adopting the standards, the director shall consider standards [*established from time to time by*] **that** the Actuarial Standards Board of the American Academy of Actuaries **establishes from time to time**.

(B) Shall define "qualified actuary" for purposes of this subsection, by establishing qualifications required of an actuary for the purpose of giving the opinions. In establishing the definition, the director shall consider standards [*established from time to time by*] **that** the American Academy of Actuaries **establishes from time to time**.

(C) May also adopt any other rules needed for carrying out this subsection.

(e) [*In the case of an opinion required to be submitted by a foreign or alien insurer,*] The director may accept the opinion [*filed by the*] **that a foreign or alien** insurer [*with*] **submitted to** the insurance supervisory official of another state **as the opinion that the foreign or alien insurer must submit under this section** if the director determines that the opinion reasonably meets the requirements [*applicable to*] **that apply to** a domestic insurer.

(f) Except in cases of fraud or willful misconduct, a qualified actuary [*shall not be*] **is not** liable for damages to any person other than the insurer or the director for any act, error, omission, decision or conduct with respect to the actuary's opinion.

[*(g) For each opinion submitted under this subsection, a memorandum shall be prepared supporting the opinion. The memorandum must conform in form and substance to requirements established by the director by rule.*]

[*(h) If an insurer fails to provide a supporting memorandum within the period specified by rule or if the director determines that the supporting memorandum provided by the insurer fails to meet the standards prescribed by rule or is otherwise unacceptable to the director, the director may engage a qualified actuary at the expense of the insurer to review the opinion and the basis for the opinion and prepare any supporting memorandum that is required by the director.*]

[*(i)*] **(g)** Except as provided in this paragraph, a memorandum in the possession or control of the director that is in support of an actuarial opinion, and any other material [*provided by*] the insurer **provides** to the director in connection with the memorandum, is confidential as provided in ORS 705.137. Notwithstanding ORS 705.137, [*such a*] **the** memorandum and other materials are subject to subpoena only for the purpose of defending an action seeking damages from the actuary submitting the memorandum by reason of any action required by this section or by rules adopted under this section. Once **the insurer cites** any portion of the confidential memorandum [*is cited by the insurer in its*] **in the insurer's** marketing or [*is cited*] before any governmental agency other than a state insurance department or [*is released by*] the insurer **releases the confidential memorandum** to the news media, all portions of the confidential memorandum [*shall be*] **are** no longer confidential. In addition to the uses and disclosures allowed under ORS 705.137, **the director may otherwise release** a memorandum or other material [*may otherwise be released by the director*]:

(A) With the written consent of the insurer; or

(B) To the American Academy of Actuaries upon request thereof, [*when*] **if** the request states that the memorandum or other material is required for the purpose of professional disciplinary proceedings and sets forth procedures satisfactory to the director for preserving the confidentiality of the memorandum or other material.

[*(j)*] **(h) The director shall define** grounds for **the director's** disciplinary action [*by the director*] against the insurer or the qualified actuary [*shall be defined*] by rule.

(2) Unless exempted by the director by rule, each insurer transacting life insurance in this state shall include in each opinion required by subsection (1) of this section an opinion by the same actuary who prepared the opinion required by subsection (1) of this section. The following provisions apply with respect to the opinion:

(a) The insurer shall support the opinion with a memorandum that conforms in form and substance to requirements the director establishes by rule. If an insurer fails to provide a supporting memorandum within the period specified by rule or if the director determines that the supporting memorandum that the insurer provides fails to meet the standards prescribed by rule or is otherwise unacceptable to the director, the director may engage a qualified actuary at the insurer's expense to review the opinion and the basis for the opinion and to prepare any supporting memorandum the director requires.

[*(a)*] **(b)** The actuary shall state the actuary's opinion as to whether the reserves and related actuarial items [*held*] **the insurer holds** in support of the policies and contracts [*specified by*] the director **specifies** by rule, when considered in light of the assets [*held by*] the insurer **holds** 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] **the insurer expects to receive and retain** under the policies and contracts, [*make adequate provision*] **provide adequately** for the insurer's obligations under the policies and contracts, including but not limited to the benefits under and expenses associated with the policies and contracts.

[*(b)*] **(c)** The director may provide by rule for a transition period for establishing any higher reserves that the actuary may deem necessary in order to render the opinion required under this subsection.

SECTION 24. ORS 733.316 is amended to read:

733.316. (1) The aggregate reserves of an insurer for all life insurance policies, excluding disability and accidental death benefits, issued on or after the operative date stated in ORS 743.204 for the Standard Nonforfeiture Law for Life Insurance, [*shall*] **may** not be less than the aggregate reserves calculated in accordance with the methods set forth in ORS 733.312, 733.314, 733.320 and 733.322 and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

(2) The aggregate reserves of an insurer for all policies, contracts and benefits [*shall*] **may** not be less than the aggregate reserves [*determined by the qualified*] **that the appointed** actuary **determines** to be necessary to render the opinion required by ORS 733.304.

SECTION 25. ORS 733.318 is amended to read:

733.318. (1) Reserves for [*all*] policies and contracts issued prior to the operative date stated in ORS 743.204 for the Standard Nonforfeiture Law for Life Insurance may be calculated, at the option of the insurer, according to any standards that produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by the laws in effect immediately prior to the operative date.

(2) Reserves for any category of policies, contracts or benefits as established by the Director of the Department of Consumer and Business Services, issued on or after the operative date stated in ORS 743.204 for the Standard Nonforfeiture Law for Life Insurance, may be calculated, at the option of the insurer, according to any standards that produce greater aggregate reserves for the category than those calculated according to the minimum standard provided in ORS 733.300 to 733.322, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, [*shall*] **may** not be [*higher*] **greater** than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided in the policies or contracts.

(3) An insurer that **adopts** at any time [*has adopted any*] **a** standard of valuation [*producing*] **that produces** greater aggregate reserves than [*those*] **the aggregate reserves** calculated according to the minimum standard provided in ORS 733.300 to 733.322 may, with the approval of the director, adopt any lower standard of valuation. The standard [*shall*] **may** not be lower than the minimum provided in ORS 733.300 to 733.322, except that for the purposes of this subsection, [*the*] holding [*of*] additional reserves [*previously determined by a qualified*] **that the appointed** actuary **previously determined** to be necessary to render the opinion required by ORS 733.304 [*shall not be deemed to be*] **does not constitute** the adoption of [*such*] a higher standard of valuation.

SECTION 26. ORS 743.204 is amended to read:

743.204. (1) ORS 743.204 to 743.222 may be cited as the Standard Nonforfeiture Law for Life Insurance.

(2) The operative date of the Standard Nonforfeiture Law for Life Insurance as to any policy is the earlier of:

(a) January 1, 1948; or

(b) The date specified in a written notice[*, filed*] **that the insurer files** with the Director of the Department of Consumer and Business Services [*by the insurer, of election*]**, in which the insurer elects** to comply with the Standard Nonforfeiture Law for Life Insurance as to [*such*] **the** policy **and** as of the specified date.

(3) The operative date of the valuation manual, as defined in section 11 of this 2015 Act, is January 1 of the first calendar year in which the valuation manual is effective.

[*(3)*] **(4)** The Standard Nonforfeiture Law for Life Insurance [*shall*] **does** not apply to:

(a) Any reinsurance, group insurance, pure endowment, annuity or reversionary annuity policy.

(b) Any term policy or renewal [*thereof*] **of a term policy**, of uniform amount, [*which provides no*] **that does not provide** guaranteed nonforfeiture or endowment benefits, of 20 years or less expiring before age 71[,] **and** for which uniform premiums are payable during the entire term of the policy. For this purpose, the age at death for a joint term life insurance policy [*shall be*] **is** the age at death of the oldest life.

(c) Any term policy of decreasing amount[*, which provides no*] **that does not provide** guaranteed nonforfeiture or endowment benefits, if each adjusted premium, calculated as specified in ORS 743.215 and 743.216, is less than the adjusted premium so calculated on a term policy or renewal [*thereof*] **of a term policy** of uniform amount[*, which provides no*] **that does not provide** guaranteed nonforfeiture benefits or endowment benefits, [*which*] **that** is issued at the same age, for the same initial amount of insurance and for a term of 20 years or less that expires before age 71 and for which uniform premiums are payable during the entire term of the policy. For this purpose, the age at death for a joint term life insurance policy [*shall be*] **is** the age at death of the oldest life.

(d) Any policy [*which provides no*] **that does not provide** guaranteed nonforfeiture or endowment benefits, and for which policy the cash surrender value or present value of paid-up nonforfeiture ben-

efit calculated for the beginning of any policy year as specified in ORS 743.210, 743.213, 743.215 and 743.216 does not exceed two and one-half percent of the amount of insurance at the beginning of [*such*] **the policy** year.

SECTION 27. ORS 743.215 is amended to read:

743.215. (1) This section applies to all life insurance policies issued on or after the operative date defined in this subsection for the issuing insurer. After January 1, 1982, any insurer may file with the Director of the Department of Consumer and Business Services a written notice of [*its*] **the insurer's** election to comply with the provisions of this section with regard to any number of plans of insurance after a specified date before January 1, 1989. The specified date [*shall be*] **is** the operative date of this subsection for the plan or plans, but if an insurer elects to make this subsection operative before January 1, 1989, for fewer than all plans, the insurer must comply with rules [*adopted by*] the director **adopts**. There is no limit to the number of times that an insurer may make the election. If an insurer [*makes no such*] **does not make the** election, the operative date of this section for the insurer [*shall be*] **is** January 1, 1989.

(2) Except as provided in subsection (8) of this section, the adjusted premiums referred to in ORS 743.210 for any life insurance policy to which this section applies [*shall*] **must** be calculated as provided in this subsection, on an annual basis, as a 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 excluding any uniform annual contract charge or policy fee specified in the policy statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits. This percentage [*shall*] **must** be such that the present value, at the date of issue of the policy, of all such adjusted premiums [*shall equal*] **equals** the sum of:

(a) The present value at the policy issue date 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 of the amounts of insurance at the beginning of each of the first 10 policy years; and

(c) One hundred twenty-five percent of the nonforfeiture net level premium as defined in subsection (3) of this section. For this purpose, any excess of the nonforfeiture net level premium over four percent of [*such*] **the** uniform or average amount of insurance [*shall*] **must** be disregarded.

(3) The nonforfeiture net level premium referred to in subsection (2) of this section [*shall*] **must** equal the present value, at the date of issue of the policy, of the guaranteed benefits [*provided for by*] the policy **provides,** 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 and on each anniversary of the policy on which a premium falls due.

(4) In the case of policies [*which*] **that** provide, on a basis guaranteed in the policy, for unscheduled changes in benefits or premiums, or [*which*] **that** provide an option for changes in benefits or premiums other than by change to a new policy, the adjusted premiums and present values [*shall*] **must** initially be calculated on the assumption that future benefits and premiums do not change from [*those stipulated by*] **the future benefits and premiums that** the policy **stipulates** at the date of issue. At the time of any such change in the benefits or premiums the future adjusted premiums, nonforfeiture net level premiums and present values [*shall*] **must** be recalculated as provided in subsection (5) of this section on the assumption that future benefits and premiums do not change from [*those stipulated by*] **the future benefits and premiums that** the policy **stipulates** immediately after the change.

(5) Except as otherwise provided in subsection (8) of this section, the recalculated future adjusted premiums referred to in subsection (4) of this section [*shall*] **must** be calculated as provided in this subsection, on an annual basis, as a 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 excluding any uniform annual contract charge or policy fee specified in the policy statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits. This percentage [*shall*] **must** be such that the present value, at the date of change to the newly defined benefits or premiums, of all such future adjusted premiums [*shall equal*] **equals** A plus B minus C, where these amounts are defined as follows:

(a) "A" equals the present value, as of the date of change, of the future guaranteed benefits provided for by the policy.

(b) "B" equals the additional expense allowance, if any, for the policy, as defined in subsection (6) of this section.

(c) "C" equals the cash surrender value under the policy, if any, or present value of any paid-up nonforfeiture benefit under the policy, as of the date of change.

(6) The additional expense allowance at the date of the change to the newly defined benefits or premiums, as referred to in subsection (5) of this section, [*shall*] **must** equal the sum of:

(a) One percent of the excess, if positive, of the average of the amounts of insurance at the beginning of each of the first 10 policy years subsequent to the change, over the average of the amounts of insurance, as defined before the change, at the beginning of each of the first 10 policy years subsequent to the last previous change or the policy issue date if there has been no change.

(b) One hundred twenty-five percent of the change, if positive, in the amount of the nonforfeiture net level premium from the amount applicable prior to the change in policy benefits or premiums

to the amount of the recalculated nonforfeiture net level premium determined from subsection (7) of this section as of the date of the change in policy benefits or premiums.

(7) The recalculated nonforfeiture net level premium referred to in subsection (6) of this section [*shall*] **must** equal Y divided by Z, where these amounts are defined as follows:

(a) "Y" equals the sum of:

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

(B) The present value at the date of change of the increase in future guaranteed benefits provided for by the policy.

(b) "Z" equals the present value at the date of change 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.

(8) Notwithstanding any other provisions of this section, the provisions of this subsection [*shall*] apply [*in the case of*] **to** a policy issued on a substandard basis [*which*] **that** provides reduced graded amounts of insurance determined so that, in each policy year, the policy has the same tabular mortality cost as for an otherwise similar policy of a higher nongraded amount or amounts of insurance issued on the standard basis. Adjusted premiums and present values for a policy on such a substandard basis may be calculated as if the policy were issued to provide such a higher nongraded amount or amounts of insurance on the standard basis.

(9) Except as provided in subsection (10) of this section, all adjusted premiums and present values referred to in the Standard Nonforfeiture Law for Life Insurance [*shall*] **must**, for all policies of life insurance to which this section applies, be calculated on the mortality and interest bases as follows:

(a) For ordinary life insurance mortality:

(A) The Commissioners 1980 Standard Ordinary Mortality Table [*shall*] **must** be used; or

(B) At the option of the insurer for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors may be used instead of such table without Ten-Year Select Mortality Factors.

(b) For industrial life insurance mortality, the Commissioners 1961 Standard Industrial Mortality Table [*shall*] **must** be used.

(c) For all policies issued in a particular calendar year, an interest rate [*shall*] **must** be used [*which*] **that** does not exceed the nonforfeiture interest rate, as defined in subsection (11) of this section, for policies issued in that year.

(10) The following provisions [*shall*] also apply, for policies to which this section applies, to the calculation of premiums and values referred to in the Standard Nonforfeiture Law for Life Insurance:

(a) At the option of the insurer, such calculations for all policies issued in a particular calendar year may be made on the basis of an interest rate [*which*] **that** does not exceed the nonforfeiture interest rate, as defined in subsection (11) of this section, for policies issued in the last preceding calendar year.

(b) Under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by ORS 743.207, [*shall*] **must** be calculated on the basis of the mortality table and interest rate used in determining the amount of such paid-up nonforfeiture benefit and paid-up dividend additions.

(c) An insurer shall calculate the amount of any guaranteed paid-up nonforfeiture benefit, including any paid-up additions, on the basis of an interest rate no lower than [*that*] **the interest rate** specified in the policy for calculating cash surrender values.

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

(e) For insurance issued on a substandard basis, the calculation of premiums and values may be based on appropriate modifications of the mortality tables referred to in subsection (9) of this section and in this subsection.

(f)**(A) For policies issued before the operative date of the valuation manual, any Commissioners Standard** [*Any*] ordinary life mortality tables [*adopted after 1980 by*] **that** the National Association of Insurance Commissioners **adopted after 1980 and** that are approved under rules [*issued by*] the director **adopted** 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.

(B) For policies issued on or after the operative date of the valuation manual, the valuation manual must provide the Commissioners Standard ordinary mortality table for use in determining the minimum nonforfeiture standard that may be substituted for the Commissioners 1980 Standard Ordinary Mortality Table with or without Ten-Year Select Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table. If the director approves by rule any Commissioners Standard ordinary mortality table that the National Association of Insurance Commissioners adopted for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual, the minimum nonforfeiture standard that the director approved by rule su-

persedes the minimum nonforfeiture standard provided by the valuation manual.

(g)**(A) For policies issued before the operative date of the valuation manual, any Commissioners Standard** [*Any*] industrial life mortality tables [*adopted after 1980 by*] **that** the National Association of Insurance Commissioners **adopted after 1980 and** that are approved under rules [*issued by*] the director **adopted** 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.

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

(11)**(a) For policies issued before the operative date of the valuation manual,** the nonforfeiture interest rate for any policy issued in a particular calendar year [*shall*] **must** equal 125 percent of the calendar year statutory valuation interest rate for such policy as defined in the Standard Valuation Law, rounded to the [*nearer*] **nearest** one-quarter of one percent[.]**, except that the nonforfeiture interest rate under this paragraph may not be less than four percent.**

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

(12) Notwithstanding any other provision in this chapter or ORS chapter 743A, for any previously approved policy form, any refiling of nonforfeiture values or [*their*] methods of computation **for nonforfeiture values that** [*which*] involves only a change in the interest rate or mortality table used to compute nonforfeiture values [*shall not of itself*] **does not alone** require refiling [*of*] any other provisions of [*that*] **that approved** policy form.

SECTION 28. (1) Section 14 of this 2015 Act and the amendments to ORS 732.586, 733.302, 733.304, 733.316, 733.318, 743.204 and 743.215 by sections 21 to 27 of this 2015 Act apply to all policies and contracts, as appropriate, that are issued on or after the operative date for the Standard Nonforfeiture Law for Life Insurance under ORS 743.204 and before the operative date of the valuation manual.

(2) Sections 15 to 17 of this 2015 Act do not apply to policies and contracts described in subsection (1) of this section.

(3) The minimum standard for the valuation of policies and contracts that were issued before the operative date for the Standard Nonforfeiture Law for Life Insurance under ORS 743.204 is the minimum standard set forth in the laws that were in effect immediately before the operative date for the Standard Nonforfeiture Law for Life Insurance under ORS 743.204.

SECTION 29. Each insurer required to do so shall file the first own risk and solvency assessment summary report for the calendar year ending December 31, 2016, in accordance with section 6 of this 2015 Act.

SECTION 30. (1) Sections 2 to 9 and 11 to 20 of this 2015 Act and the amendments to ORS 733.302, 733.304, 733.316, 733.318, 743.204 and 743.215 by sections 22, 23, 24, 25, 26 and 27 of this 2015 Act become operative on January 1, 2016.

(2) The Director of the Department of Consumer and Business Services may take any action before the operative date specified in subsection (1) of this section that is necessary to enable the director to exercise, on or after the operative date specified in subsection (1) of this section, all of the duties, functions and powers conferred on the director by sections 2 to 9 and 11 to 20 of this 2015 Act and the amendments to ORS 733.302, 733.304, 733.316, 733.318, 743.204 and 743.215 by sections 22, 23, 24, 25, 26 and 27 of this 2015 Act.

SECTION 31. This 2015 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect on its passage.

Approved by the Governor June 25, 2015
Filed in the office of Secretary of State June 29, 2015
Effective date June 25, 2015