

COMMITTEE ON COMMERCE
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2076
(Reference to printed bill)

Amendment instruction key:
[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.
[Green underlining in brackets] indicates text added to new session law or text restoring existing law.
~~[GREEN STRIKEOUT IN BRACKETS]~~ indicates new text removed from statute or previously enacted session law.
~~[Green strikeout in brackets]~~ indicates text removed from existing statute, previously enacted session law or new session law.
<<Green carets>> indicate a section added to the bill.
<<~~Green strikeout in carets~~>> indicates a section removed from the bill.

1 The bill as proposed to be amended is reprinted as follows:

2 Section 1. Title 20, chapter 2, Arizona Revised Statutes, is
3 amended by adding article 5.1, to read:

4 ARTICLE 5.1. LIFE INSURANCE ILLUSTRATIONS

5 20-431. Definitions

6 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

7 1. "ACTUARIAL STANDARDS BOARD" MEANS THE BOARD THAT IS ESTABLISHED
8 BY THE AMERICAN ACADEMY OF ACTUARIES TO DEVELOP AND ADOPT STANDARDS OF
9 ACTUARIAL PRACTICE.

10 2. "BASIC ILLUSTRATION" MEANS A LEDGER OR PROPOSAL THAT IS USED IN
11 THE SALE OF A LIFE INSURANCE POLICY AND THAT SHOWS BOTH GUARANTEED AND
12 NONGUARANTEED ELEMENTS.

13 3. "CONTRACT PREMIUM":

14 (a) MEANS THE GROSS PREMIUM THAT IS REQUIRED TO BE PAID UNDER A
15 FIXED PREMIUM POLICY.

16 (b) INCLUDES THE PREMIUM FOR A RIDER FOR WHICH BENEFITS ARE SHOWN
17 IN AN ILLUSTRATION.

18 4. "CURRENTLY PAYABLE SCALE" MEANS A SCALE OF NONGUARANTEED
19 ELEMENTS IN EFFECT FOR A POLICY FORM AS OF THE PREPARATION DATE OF THE
20 ILLUSTRATION OR DECLARED TO BECOME EFFECTIVE WITHIN THE NEXT NINETY-FIVE
21 DAYS.

22 5. "DISCIPLINED CURRENT SCALE":

23 (a) MEANS A SCALE OF NONGUARANTEED ELEMENTS THAT CONSTITUTES A
24 LIMIT ON ILLUSTRATIONS CURRENTLY BEING ILLUSTRATED BY AN INSURER AND THAT
25 IS REASONABLY BASED ON RECENT, ACTUAL HISTORICAL EXPERIENCE AS CERTIFIED
26 ANNUALLY BY AN ILLUSTRATION ACTUARY DESIGNATED BY THE INSURER.

1 (b) INCLUDES RELIANCE ON FURTHER GUIDANCE IN DETERMINING THE
2 DISCIPLINED CURRENT SCALE AS CONTAINED IN STANDARDS BY THE ACTUARIAL
3 STANDARDS BOARD IF THE STANDARDS COMPLY WITH ALL OF THE FOLLOWING:

4 (i) ARE CONSISTENT WITH THIS ARTICLE.

5 (ii) LIMIT A DISCIPLINED CURRENT SCALE TO REFLECT ONLY ACTIONS THAT
6 HAVE ALREADY BEEN TAKEN OR EVENTS THAT HAVE ALREADY OCCURRED.

7 (iii) DO NOT ALLOW A DISCIPLINED CURRENT SCALE TO INCLUDE ANY
8 PROJECTED TRENDS OF IMPROVEMENTS IN EXPERIENCE OR ANY ASSUMED IMPROVEMENTS
9 IN EXPERIENCE BEYOND THE ILLUSTRATION DATE.

10 (iv) DO NOT ALLOW ASSUMED EXPENSES TO BE LESS THAN THE MINIMUM
11 ASSUMED EXPENSES.

12 6. "GENERIC NAME" MEANS A SHORT TITLE DESCRIPTIVE OF THE POLICY
13 BEING ILLUSTRATED SUCH AS "WHOLE LIFE", "TERM LIFE" OR "FLEXIBLE PREMIUM
14 ADJUSTABLE LIFE".

15 7. "GUARANTEED ELEMENTS" MEANS THE PREMIUMS, ~~[BENEFITS.]~~ VALUES,
16 CREDITS OR CHARGES UNDER A POLICY OF LIFE INSURANCE THAT ARE GUARANTEED
17 AND THAT ARE DETERMINED WHEN THE POLICY IS ISSUED.

18 8. "ILLUSTRATED SCALE" MEANS A SCALE OF NONGUARANTEED ELEMENTS
19 CURRENTLY BEING ILLUSTRATED THAT IS NOT MORE FAVORABLE TO THE POLICYOWNER
20 THAN THE LESSER OF EITHER OF THE FOLLOWING:

21 (a) THE DISCIPLINED CURRENT SCALE.

22 (b) THE CURRENTLY PAYABLE SCALE.

23 9. "ILLUSTRATION" MEANS A PRESENTATION OR DEPICTION THAT INCLUDES
24 NONGUARANTEED ELEMENTS OF A LIFE INSURANCE POLICY OVER A PERIOD OF YEARS
25 AND THAT IS A BASIC ILLUSTRATION, SUPPLEMENTAL ILLUSTRATION OR IN-FORCE
26 ILLUSTRATION.

27 10. "ILLUSTRATION ACTUARY" MEANS AN ACTUARY WHO MEETS THE
28 REQUIREMENTS PRESCRIBED IN SECTION 20-431.08 AND WHO CERTIFIES THE
29 ILLUSTRATIONS BASED ON THE STANDARD OF PRACTICE ADOPTED BY THE ACTUARIAL
30 STANDARDS BOARD.

31 11. "IN-FORCE ILLUSTRATION" MEANS AN ILLUSTRATION THAT IS FURNISHED
32 AT ANY TIME AFTER THE LIFE INSURANCE POLICY THAT IT DEPICTS HAS BEEN IN
33 FORCE FOR ONE YEAR OR MORE.

34 12. "LAPSE-SUPPORTED ILLUSTRATION" MEANS AN ILLUSTRATION OF A
35 POLICY FORM THAT FAILS TO MEET THE DEFINITION OF SELF-SUPPORTING
36 ILLUSTRATION UNDER A MODIFIED PERSISTENCY RATE ASSUMPTION THAT USES
37 PERSISTENCY RATES UNDERLYING THE DISCIPLINED CURRENT SCALE FOR THE FIRST
38 FIVE YEARS AND ONE HUNDRED PERCENT POLICY PERSISTENCY THEREAFTER.

39 13. "MINIMUM-ASSUMED EXPENSES" MEANS THE MINIMUM EXPENSES THAT MAY
40 BE USED IN CALCULATING THE DISCIPLINED CURRENT SCALE FOR A POLICY ~~[TERM]~~
41 AND FOR WHICH THE INSURER MAY ANNUALLY DESIGNATE ONE OF THE FOLLOWING
42 METHODS TO DETERMINE ASSUMED EXPENSES FOR ALL POLICY FORMS:

43 (a) FULLY ALLOCATED EXPENSES, WHICH MUST BE USED IF A GENERALLY
44 RECOGNIZED EXPENSE TABLE IS NOT APPROVED.

45 (b) MARGINAL EXPENSES, WHICH MAY BE USED ONLY IF THE MARGINAL
46 EXPENSES ARE GREATER THAN A GENERALLY RECOGNIZED EXPENSE TABLE.

47 (c) A GENERALLY RECOGNIZED EXPENSE TABLE BASED ON FULLY ALLOCATED
48 EXPENSES THAT REPRESENTS A SIGNIFICANT PORTION OF INSURANCE COMPANIES AND
49 THAT IS APPROVED BY THE ~~[NATIONAL ASSOCIATION OF INSURANCE~~

1 **COMMISSIONERS** **[DIRECTOR]**.

2 14. "NONGUARANTEED ELEMENTS" MEANS THE PREMIUMS, BENEFITS, VALUES,
3 CREDITS OR CHARGES UNDER A POLICY OF LIFE INSURANCE THAT ARE NOT
4 GUARANTEED OR NOT DETERMINED AT ISSUE.

5 15. "NONTERM GROUP LIFE" MEANS A GROUP POLICY OR INDIVIDUAL
6 POLICIES OF LIFE INSURANCE THAT ARE ISSUED TO MEMBERS OF AN EMPLOYER GROUP
7 OR OTHER ALLOWED GROUP TO WHICH ALL OF THE FOLLOWING APPLY:

8 (a) THE EMPLOYER OR OTHER GROUP REPRESENTATIVE SELECTS EVERY PLAN
9 OF COVERAGE.

10 (b) SOME PORTION OF THE PREMIUM IS PAID BY THE GROUP OR THROUGH
11 PAYROLL DEDUCTION.

12 (c) GROUP UNDERWRITING OR SIMPLIFIED UNDERWRITING IS USED.

13 16. "POLICYOWNER" MEANS THE OWNER WHO IS NAMED IN THE POLICY OR THE
14 CERTIFICATE HOLDER IN THE CASE OF A GROUP POLICY.

15 17. "POLICYOWNER VALUE" INCLUDES THE CASH SURRENDER VALUES AND
16 OTHER ILLUSTRATED BENEFIT AMOUNTS THAT ARE AVAILABLE AT THE POLICYOWNER'S
17 ELECTION.

18 18. "PREMIUM OUTLAY" MEANS THE AMOUNT OF PREMIUM THAT IS ASSUMED TO
19 BE PAID BY THE POLICYOWNER OR OTHER PREMIUM PAYOR OUT OF POCKET.

20 19. "SELF-SUPPORTING ILLUSTRATION" MEANS AN ILLUSTRATION OF A
21 POLICY FORM FOR WHICH IT CAN BE DEMONSTRATED THAT WHEN USING EXPERIENCE
22 ASSUMPTIONS UNDERLYING THE DISCIPLINED CURRENT SCALE FOR ALL ILLUSTRATED
23 POINTS IN TIME ON OR AFTER THE FIFTEENTH POLICY ANNIVERSARY OR THE
24 TWENTIETH POLICY ANNIVERSARY FOR SECOND-OR-LATER-TO-DIE POLICIES, OR ON
25 POLICY EXPIRATION IF SOONER, THE ACCUMULATED VALUE OF ALL POLICY CASH
26 FLOWS EQUALS OR EXCEEDS THE TOTAL POLICYOWNER VALUE AVAILABLE.

27 20. "SUPPLEMENTAL ILLUSTRATION" MEANS AN ILLUSTRATION THAT IS
28 FURNISHED IN ADDITION TO A BASIC ILLUSTRATION AND THAT MAY BE PRESENTED IN
29 A DIFFERENT FORMAT FROM THE BASIC ILLUSTRATION BUT THAT MAY DEPICT ONLY A
30 SCALE OF NONGUARANTEED ELEMENTS AS PROVIDED IN THE BASIC ILLUSTRATION.

31 **20-431.01. Applicability**

32 THIS ARTICLE APPLIES TO ALL GROUP AND INDIVIDUAL LIFE INSURANCE
33 POLICIES AND CERTIFICATES EXCEPT:

34 1. VARIABLE LIFE INSURANCE.

35 2. INDIVIDUAL AND GROUP ANNUITY CONTRACTS.

36 3. CREDIT LIFE INSURANCE.

37 4. LIFE INSURANCE POLICIES WITH NO ILLUSTRATED DEATH BENEFITS ON
38 ANY INDIVIDUAL EXCEEDING \$10,000.

39 **20-431.02. Group and individual life insurance policy forms;**
40 **identification for illustrated**

41 A. EACH INSURER THAT MARKETS POLICIES SHALL NOTIFY THE DIRECTOR
42 WHETHER A POLICY FORM WILL BE MARKETED WITH OR WITHOUT AN ILLUSTRATION.
43 FOR ALL POLICY FORMS THAT ARE ACTIVELY MARKETED ON JANUARY 1, 2026, THE
44 INSURER SHALL IDENTIFY THOSE POLICY FORMS AND WHETHER AN ILLUSTRATION WILL
45 BE USED. FOR ALL POLICY FORMS THAT ARE FILED AFTER JANUARY 1, 2026, THE
46 INSURER SHALL MAKE THIS IDENTIFICATION AT THE TIME OF FILING. AN INSURER
47 MAY CHANGE AN IDENTIFICATION BY PROVIDING NOTICE TO THE DIRECTOR.

1 B. IF THE INSURER IDENTIFIES A POLICY FORM AS ONE TO BE MARKETING
2 WITHOUT AN ILLUSTRATION, ANY USE OF AN ILLUSTRATION FOR ANY POLICY USING
3 THAT FORM BEFORE THE FIRST POLICY ANNIVERSARY IS PROHIBITED.

4 C. IF THE INSURER IDENTIFIES A POLICY FORM AS ONE TO BE MARKETING
5 WITH AN ILLUSTRATION, A BASIC ILLUSTRATION SHALL BE PREPARED AND DELIVERED
6 IN ACCORDANCE WITH THIS ARTICLE, EXCEPT THAT A BASIC ILLUSTRATION DOES NOT
7 NEED TO BE PROVIDED TO INDIVIDUAL MEMBERS OF A GROUP OR TO INDIVIDUALS WHO
8 ARE INSURED UNDER MULTIPLE LIVES COVERAGE THAT IS ISSUED TO A SINGLE
9 APPLICANT UNLESS THE COVERAGE IS MARKETING TO THESE INDIVIDUALS. FOR A
10 GROUP LIFE INSURANCE POLICY OR A POLICY ISSUED TO A SINGLE APPLICANT ON
11 MULTIPLE LIVES, THE INSURER MAY FURNISH EITHER AN INDIVIDUAL OR COMPOSITE
12 ILLUSTRATION REPRESENTING COVERAGE ON THE LIVES OF MEMBERS OF THE GROUP OR
13 THE MULTIPLE LIVES COVERED.

14 D. THE INSURER SHALL INCLUDE A QUOTE WITH THE ENROLLMENT MATERIALS
15 THAT ARE PROVIDED TO POTENTIAL ENROLLEES OF NONTERM GROUP LIFE INSURANCE
16 POLICIES THAT ARE SUBJECT TO THIS ARTICLE. THE QUOTE SHALL SHOW POTENTIAL
17 POLICY VALUES FOR SAMPLE AGES AND POLICY YEARS ON A GUARANTEED AND
18 NONGUARANTEED BASIS APPROPRIATE TO THE GROUP AND THE COVERAGE. THIS QUOTE
19 IS NOT CONSIDERED AN ILLUSTRATION FOR THE PURPOSES OF THIS ARTICLE, BUT
20 ALL INFORMATION PROVIDED SHALL BE CONSISTENT WITH THE ILLUSTRATED SCALE.
21 THE INSURER SHALL PROVIDE A BASIC ILLUSTRATION AT THE DELIVERY OF THE
22 CERTIFICATE TO ENROLLEES FOR NONTERM GROUP LIFE INSURANCE WHO HAVE
23 ENROLLED IN MORE THAN THE MINIMUM PREMIUM NECESSARY TO PROVIDE PURE DEATH
24 BENEFIT PROTECTION AND SHALL MAKE THE BASIC ILLUSTRATION AVAILABLE TO ANY
25 NONTERM GROUP LIFE ENROLLEE ON REQUEST.

26 20-431.03. Life insurance policy illustrations; requirements;
27 prohibitions

28 A. AN ILLUSTRATION THAT IS USED IN THE SALE OF A LIFE INSURANCE
29 POLICY SHALL BE CLEARLY LABELED LIFE INSURANCE ILLUSTRATION AND SHALL
30 CONTAIN ALL OF THE FOLLOWING:

31 1. THE NAME OF THE INSURER THAT ISSUED THE POLICY.

32 2. THE NAME AND BUSINESS ADDRESS OF THE PRODUCER OR THE INSURER'S
33 AUTHORIZED REPRESENTATIVE, IF ANY.

34 3. THE NAME, AGE AND SEX OF THE PROPOSED INSURED, UNLESS A
35 COMPOSITE ILLUSTRATION IS ALLOWED UNDER THIS ARTICLE.

36 4. THE UNDERWRITING OR RATING CLASSIFICATION ON WHICH THE
37 ILLUSTRATION IS BASED.

38 5. THE GENERIC NAME OF THE POLICY, THE COMPANY PRODUCT NAME, IF
39 DIFFERENT FROM THE GENERIC NAME OF THE POLICY, AND THE FORM NUMBER.

40 6. THE INITIAL DEATH BENEFIT.

41 7. DIVIDEND OPTION ELECTION OR APPLICATION OF NONGUARANTEED
42 ELEMENTS, IF APPLICABLE.

43 B. WHEN USING AN ILLUSTRATION IN THE SALE OF A LIFE INSURANCE
44 POLICY, AN INSURER OR ITS PRODUCERS OR OTHER AUTHORIZED REPRESENTATIVES
45 MAY NOT:

46 1. REPRESENT THE POLICY AS ANYTHING OTHER THAN A LIFE INSURANCE
47 POLICY.

48 2. USE OR DESCRIBE NONGUARANTEED ELEMENTS IN A MANNER THAT IS
49 MISLEADING OR THAT HAS THE CAPACITY OR TENDENCY TO MISLEAD.

1 3. STATE OR IMPLY THAT THE PAYMENT OR AMOUNT OF NONGUARANTEED
2 ELEMENTS IS GUARANTEED.

3 4. USE AN ILLUSTRATION THAT DOES NOT COMPLY WITH THIS ARTICLE.

4 5. USE AN ILLUSTRATION THAT DEPICTS POLICY PERFORMANCE THAT IS MORE
5 FAVORABLE TO THE POLICYOWNER THAN THAT PRODUCED BY THE ILLUSTRATED SCALE.

6 6. PROVIDE AN APPLICANT WITH AN INCOMPLETE ILLUSTRATION.

7 7. REPRESENT IN ANY WAY THAT PREMIUM PAYMENTS WILL NOT BE REQUIRED
8 FOR EACH YEAR OF THE POLICY IN ORDER TO MAINTAIN THE ILLUSTRATED DEATH
9 BENEFITS, UNLESS THAT IS THE FACT.

10 8. USE THE TERM VANISH OR VANISHING PREMIUM OR A SIMILAR TERM THAT
11 IMPLIES THE POLICY BECOMES PAID UP TO DESCRIBE A PLAN FOR USING
12 NONGUARANTEED ELEMENTS TO PAY A PORTION OF FUTURE PREMIUMS.

13 9. EXCEPT FOR POLICIES THAT CAN NEVER DEVELOP NONFORFEITURE VALUES,
14 USE A LAPSE-SUPPORTED ILLUSTRATION.

15 10. USE AN ILLUSTRATION THAT IS NOT A SELF-SUPPORTING ILLUSTRATION.

16 C. IF AN INTEREST RATE THAT IS USED TO DETERMINE THE ILLUSTRATED
17 NONGUARANTEED ELEMENTS IS SHOWN, THE INTEREST RATE MAY NOT BE GREATER THAN
18 THE EARNED INTEREST RATE UNDERLYING THE DISCIPLINED CURRENT SCALE.

19 20-431.04. Basic illustrations; format; narrative summary;
20 numeric summary; tabular detail; requirements

21 A. THE FORMAT OF A BASIC ILLUSTRATION SHALL CONFORM WITH THE
22 FOLLOWING REQUIREMENTS:

23 1. THE BASIC ILLUSTRATION SHALL BE LABELED WITH THE DATE ON WHICH
24 THE ILLUSTRATION WAS PREPARED.

25 2. EACH PAGE, INCLUDING ANY EXPLANATORY NOTES OR PAGES, SHALL BE
26 NUMBERED. THE PAGE NUMBERS MUST SHOW THE RELATIONSHIP TO THE TOTAL NUMBER
27 OF PAGES IN THE ILLUSTRATION.

28 3. THE ASSUMED DATES OF PAYMENT RECEIPT AND BENEFIT PAYOUT WITHIN A
29 POLICY YEAR SHALL BE CLEARLY IDENTIFIED.

30 4. IF THE AGE OF THE PROPOSED INSURED IS SHOWN AS A COMPONENT OF
31 THE TABULAR DETAIL, THE PROPOSED INSURED'S AGE MUST BE SHOWN AS THE AGE
32 PLUS THE NUMBER OF YEARS THE POLICY IS ASSUMED TO HAVE BEEN IN FORCE.

33 5. THE ASSUMED PAYMENTS ON WHICH THE ILLUSTRATED BENEFITS AND
34 VALUES ARE BASED SHALL BE IDENTIFIED AS PREMIUM OUTLAY OR CONTRACT
35 PREMIUM, AS APPLICABLE. FOR POLICIES THAT DO NOT REQUIRE A SPECIFIC
36 CONTRACT PREMIUM, THE ILLUSTRATED PAYMENTS SHALL BE IDENTIFIED AS PREMIUM
37 OUTLAY.

38 6. GUARANTEED DEATH BENEFITS AND VALUES AVAILABLE ON SURRENDER, IF
39 ANY, FOR THE ILLUSTRATED PREMIUM OUTLAY OR CONTRACT PREMIUM SHALL BE SHOWN
40 AND CLEARLY LABELED GUARANTEED.

41 7. IF THE ILLUSTRATION SHOWS ANY NONGUARANTEED ELEMENTS, THOSE
42 ELEMENTS CANNOT BE BASED ON A SCALE MORE FAVORABLE TO THE POLICYOWNER THAN
43 THE INSURER'S ILLUSTRATED SCALE AT ANY DURATION. THESE ELEMENTS SHALL BE
44 CLEARLY LABELED NONGUARANTEED.

45 8. THE GUARANTEED ELEMENTS, IF ANY, SHALL BE SHOWN BEFORE ANY
46 NONGUARANTEED ELEMENTS AND SHALL BE SPECIFICALLY REFERRED TO ON ANY PAGE
47 OF AN ILLUSTRATION THAT SHOWS OR DESCRIBES THE NONGUARANTEED ELEMENTS
48 ONLY.

1 9. THE ACCOUNT OR ACCUMULATION VALUE OF A POLICY, IF SHOWN, SHALL
2 BE IDENTIFIED BY THE NAME THIS VALUE IS GIVEN IN THE POLICY BEING
3 ILLUSTRATED AND SHALL BE SHOWN IN CLOSE PROXIMITY TO THE CORRESPONDING
4 VALUE THAT IS AVAILABLE ON SURRENDER.

5 10. THE VALUE THAT IS AVAILABLE ON SURRENDER SHALL BE IDENTIFIED BY
6 THE NAME THIS VALUE IS GIVEN IN THE POLICY BEING ILLUSTRATED AND SHALL BE
7 THE AMOUNT THAT IS AVAILABLE TO THE POLICYOWNER IN A LUMP SUM AFTER
8 DEDUCTING SURRENDER CHARGES, POLICY LOANS AND POLICY LOAN INTEREST, AS
9 APPLICABLE.

10 11. ILLUSTRATIONS MAY SHOW POLICY BENEFITS AND VALUES IN GRAPHIC OR
11 CHART FORM IN ADDITION TO TABULAR FORM.

12 12. ANY ILLUSTRATION OF NONGUARANTEED ELEMENTS SHALL BE ACCOMPANIED
13 BY A STATEMENT INDICATING ALL OF THE FOLLOWING:

14 (a) THE BENEFITS AND VALUES ARE NOT GUARANTEED.

15 (b) THE ASSUMPTIONS ON WHICH THE NONGUARANTEED ELEMENTS ARE BASED
16 ARE SUBJECT TO CHANGE BY THE INSURER.

17 (c) THE ACTUAL RESULTS MAY BE MORE OR LESS FAVORABLE.

18 13. IF THE ILLUSTRATION SHOWS THAT THE PREMIUM PAYOR MAY HAVE THE
19 OPTION TO ALLOW POLICY CHARGES TO BE PAID USING NONGUARANTEED VALUES, THE
20 ILLUSTRATION MUST CLEARLY DISCLOSE THAT A CHARGE CONTINUES TO BE REQUIRED
21 AND THAT, DEPENDING ON ACTUAL RESULTS, THE PREMIUM PAYOR MAY NEED TO
22 CONTINUE OR RESUME PREMIUM OUTLAYS. A SIMILAR DISCLOSURE SHALL BE MADE
23 FOR PREMIUM OUTLAY OF LESSER AMOUNTS OR SHORTER DURATIONS THAN THE
24 CONTRACT PREMIUM. IF A CONTRACT PREMIUM IS DUE, THE PREMIUM OUTLAY
25 DISPLAY MAY NOT BE LEFT BLANK OR SHOW A ZERO UNLESS THE PREMIUM OUTLAY
26 DISPLAY IS ACCOMPANIED BY AN ASTERISK OR SIMILAR MARK TO DRAW ATTENTION TO
27 THE FACT THAT THE POLICY IS NOT PAID UP.

28 14. IF THE APPLICANT PLANS TO USE DIVIDENDS OR POLICY VALUES,
29 GUARANTEED OR NONGUARANTEED, TO PAY ALL OR A PORTION OF THE CONTRACT
30 PREMIUM OR POLICY CHARGES OR FOR ANY OTHER PURPOSE, THE ILLUSTRATION MAY
31 REFLECT THOSE PLANS AND THE IMPACT ON FUTURE POLICY BENEFITS AND VALUES.

32 B. A BASIC ILLUSTRATION SHALL CONTAIN A NARRATIVE SUMMARY THAT
33 INCLUDES THE FOLLOWING:

34 1. A BRIEF DESCRIPTION OF THE POLICY BEING ILLUSTRATED THAT
35 INCLUDES A STATEMENT THAT THE POLICY IS A LIFE INSURANCE POLICY.

36 2. A BRIEF DESCRIPTION OF THE PREMIUM OUTLAY OR CONTRACT PREMIUM,
37 AS APPLICABLE, FOR THE POLICY. FOR A POLICY THAT DOES NOT REQUIRE PAYMENT
38 OF A SPECIFIC CONTRACT PREMIUM, THE ILLUSTRATION SHALL SHOW THE PREMIUM
39 OUTLAY THAT MUST BE PAID TO GUARANTEE COVERAGE FOR THE TERM OF THE
40 CONTRACT, SUBJECT TO MAXIMUM PREMIUMS ALLOWABLE TO QUALIFY AS A LIFE
41 INSURANCE POLICY UNDER THE APPLICABLE PROVISIONS OF THE INTERNAL REVENUE
42 CODE.

43 3. A BRIEF DESCRIPTION OF EACH POLICY FEATURE, RIDER OR OPTION,
44 GUARANTEED OR NONGUARANTEED, THAT IS SHOWN IN THE BASIC ILLUSTRATION AND
45 THE IMPACT THEY MAY HAVE ON THE BENEFITS AND VALUES OF THE POLICY.

46 4. AN IDENTIFICATION AND BRIEF DEFINITION OF COLUMN HEADINGS AND
47 KEY TERMS THAT ARE USED IN THE ILLUSTRATION.

48 5. A STATEMENT THAT CONTAINS IN SUBSTANCE THE FOLLOWING: "THIS
49 ILLUSTRATION ASSUMES THAT THE CURRENTLY ILLUSTRATED NONGUARANTEED ELEMENTS

1 WILL CONTINUE UNCHANGED FOR ALL YEARS SHOWN, WHICH IS LIKELY NOT TO OCCUR.
2 THE ACTUAL RESULTS MAY BE MORE OR LESS FAVORABLE THAN THE ONES SHOWN IN
3 THIS ILLUSTRATION".

4 C. FOLLOWING THE NARRATIVE SUMMARY, A BASIC ILLUSTRATION SHALL
5 INCLUDE A NUMERIC SUMMARY OF THE DEATH BENEFITS AND VALUES AND THE PREMIUM
6 OUTLAY AND CONTRACT PREMIUM, AS APPLICABLE. FOR A POLICY THAT PROVIDES
7 FOR A CONTRACT PREMIUM, THE GUARANTEED DEATH BENEFITS AND VALUES SHALL BE
8 BASED ON THE CONTRACT PREMIUM. THIS SUMMARY SHALL BE SHOWN FOR AT LEAST
9 POLICY YEARS FIVE, TEN AND TWENTY AND AT AGE SEVENTY, IF APPLICABLE, ON
10 THE THREE BASES LISTED IN SUBSECTION D OF THIS SECTION. FOR MULTIPLE LIFE
11 POLICIES, THE NUMERIC SUMMARY SHALL SHOW POLICY YEARS FIVE, TEN, TWENTY
12 AND THIRTY.

13 D. FOR THE PURPOSES OF THE NUMERIC SUMMARY UNDER SUBSECTION C OF
14 THIS SECTION, ALL OF THE FOLLOWING APPLY:

15 1. THE THREE BASES INCLUDE:

16 (a) POLICY GUARANTEES.

17 (b) INSURER'S ILLUSTRATED SCALE.

18 (c) INSURER'S ILLUSTRATED SCALE USED BUT WITH THE NONGUARANTEED
19 ELEMENTS REDUCED AS FOLLOWS:

20 (i) DIVIDENDS AT FIFTY PERCENT OF THE DIVIDENDS THAT ARE CONTAINED
21 IN THE ILLUSTRATED SCALE USED.

22 (ii) NONGUARANTEED CREDITED INTEREST AT RATES THAT ARE THE AVERAGE
23 OF THE GUARANTEED RATES AND THE RATES THAT ARE CONTAINED IN THE
24 ILLUSTRATED SCALE USED.

25 (iii) ALL NONGUARANTEED CHARGES, INCLUDING TERM INSURANCE CHARGES,
26 MORTALITY AND EXPENSE CHARGES, AT RATES THAT ARE THE AVERAGE OF THE
27 GUARANTEED RATES AND THE RATES CONTAINED IN THE ILLUSTRATED SCALE USED.

28 2. IF COVERAGE CEASES BEFORE THE POLICY MATURES OR WHEN THE
29 POLICYOWNER REACHES ONE HUNDRED YEARS OF AGE, THE YEAR IN WHICH COVERAGE
30 CEASES SHALL BE IDENTIFIED FOR EACH OF THE THREE BASES LISTED IN PARAGRAPH
31 1 OF THIS SUBSECTION.

32 E. STATEMENTS THAT ARE SUBSTANTIALLY SIMILAR TO THE FOLLOWING SHALL
33 BE INCLUDED ON THE SAME PAGE AS THE NUMERIC SUMMARY AND SHALL BE SIGNED BY
34 THE APPLICANT OR, IF AN ILLUSTRATION IS PROVIDED AT THE TIME OF DELIVERY,
35 BY THE POLICY HOLDER:

36 1. A STATEMENT TO BE SIGNED AND DATED BY THE APPLICANT OR
37 POLICYOWNER THAT STATES: "I HAVE RECEIVED A COPY OF THIS ILLUSTRATION AND
38 UNDERSTAND THAT ANY NONGUARANTEED ELEMENTS ILLUSTRATED ARE SUBJECT TO
39 CHANGE AND COULD BE EITHER HIGHER OR LOWER. THE AGENT HAS TOLD ME THEY
40 ARE NOT GUARANTEED".

41 2. A STATEMENT TO BE SIGNED AND DATED BY THE INSURANCE PRODUCER OR
42 OTHER AUTHORIZED REPRESENTATIVE OF THE INSURER THAT STATES: "I CERTIFY
43 THAT THIS ILLUSTRATION HAS BEEN PRESENTED TO THE APPLICANT AND THAT I HAVE
44 EXPLAINED THAT ANY NONGUARANTEED ELEMENTS ILLUSTRATED ARE SUBJECT TO
45 CHANGE. I HAVE MADE NO STATEMENTS THAT ARE INCONSISTENT WITH THE
46 ILLUSTRATION".

47 F. ALL OF THE FOLLOWING TABULAR DETAILS APPLY TO A BASIC
48 ILLUSTRATION:

1 1. THE BASIC ILLUSTRATION SHALL INCLUDE ALL OF THE FOLLOWING FOR AT
2 LEAST EACH POLICY YEAR FROM YEAR ONE TO TEN AND FOR EVERY FIFTH POLICY
3 YEAR THEREAFTER UNTIL THE INSURED REACHES ONE HUNDRED YEARS OF AGE, POLICY
4 MATURITY OR FINAL EXPIRATION [AND], EXCEPT FOR TERM INSURANCE BEYOND THE
5 TWENTIETH YEAR, FOR ANY YEAR IN WHICH THE PREMIUM OUTLAY AND CONTRACT
6 PREMIUM, IF APPLICABLE, IS SUBJECT TO CHANGE:
7 (a) THE PREMIUM OUTLAY AND MODE THE APPLICANT PLANS TO PAY AND THE
8 CONTRACT PREMIUM, AS APPLICABLE.
9 (b) THE CORRESPONDING GUARANTEED DEATH BENEFIT, AS PROVIDED IN THE
10 POLICY.
11 (c) THE CORRESPONDING GUARANTEED VALUE THAT IS AVAILABLE ON
12 SURRENDER, AS PROVIDED IN THE POLICY.
13 2. FOR A POLICY THAT PROVIDES FOR A CONTRACT PREMIUM, THE
14 GUARANTEED DEATH BENEFIT AND VALUE THAT IS AVAILABLE ON SURRENDER SHALL
15 CORRESPOND TO THE CONTRACT PREMIUM.
16 3. NONGUARANTEED ELEMENTS MAY BE SHOWN IF THE NONGUARANTEED
17 ELEMENTS ARE DESCRIBED IN THE CONTRACT. AN ILLUSTRATION FOR A POLICY FOR
18 WHICH THE INSURER INTENDS TO CREDIT TERMINAL DIVIDENDS, THE NONGUARANTEED
19 ELEMENTS MAY BE SHOWN IF THE INSURER'S CURRENT PRACTICE IS TO PAY TERMINAL
20 DIVIDENDS. IF ANY NONGUARANTEED ELEMENTS ARE SHOWN, THE NONGUARANTEED
21 ELEMENTS MUST BE SHOWN AT THE SAME DURATIONS AS THE CORRESPONDING
22 GUARANTEED ELEMENTS, IF ANY. IF A GUARANTEED BENEFIT OR VALUE IS NOT
23 AVAILABLE AT ANY DURATION FOR WHICH A NONGUARANTEED BENEFIT OR VALUE IS
24 SHOWN, A ZERO SHALL BE DISPLAYED IN THE GUARANTEED COLUMN.
25 20-431.05. Supplemental illustrations: requirements
26 A. A SUPPLEMENTAL ILLUSTRATION MAY BE PROVIDED IF:
27 1. THE SUPPLEMENTAL ILLUSTRATION IS APPENDED TO, ACCOMPANIED BY OR
28 PRECEDED BY A BASIC ILLUSTRATION THAT COMPLIES WITH THIS ARTICLE.
29 2. THE NONGUARANTEED ELEMENTS SHOWN ARE NOT MORE FAVORABLE TO THE
30 POLICYOWNER THAN THE CORRESPONDING ELEMENTS BASED ON THE SCALE THAT IS
31 USED IN THE BASIC ILLUSTRATION.
32 3. THE SUPPLEMENTAL ILLUSTRATION CONTAINS THE SAME STATEMENT
33 REQUIRED OF A BASIC ILLUSTRATION THAT NONGUARANTEED ELEMENTS ARE NOT
34 GUARANTEED.
35 4. FOR A POLICY THAT HAS A CONTRACT PREMIUM, THE CONTRACT PREMIUM
36 UNDERLYING THE SUPPLEMENTAL ILLUSTRATION IS EQUAL TO THE CONTRACT PREMIUM
37 SHOWN IN THE BASIC ILLUSTRATION. FOR POLICIES THAT DO NOT REQUIRE A
38 CONTRACT PREMIUM, THE PREMIUM OUTLAY UNDERLYING THE SUPPLEMENTAL
39 ILLUSTRATION MUST BE EQUAL TO THE PREMIUM OUTLAY SHOWN IN THE BASIC
40 ILLUSTRATION.
41 B. THE SUPPLEMENTAL ILLUSTRATION SHALL INCLUDE A NOTICE REFERRING
42 TO THE BASIC ILLUSTRATION FOR GUARANTEED ELEMENTS AND OTHER IMPORTANT
43 INFORMATION.

1 20-431.06. Delivery of illustrations; record retention;
2 requirements

3 A. IF A BASIC ILLUSTRATION IS USED BY AN INSURANCE PRODUCER OR
4 OTHER AUTHORIZED REPRESENTATIVE OF THE INSURER IN THE SALE OF A LIFE
5 INSURANCE POLICY AND THE POLICY IS APPLIED FOR AS ILLUSTRATED, A COPY OF
6 THAT ILLUSTRATION, SIGNED IN ACCORDANCE WITH THIS ARTICLE, SHALL BE
7 SUBMITTED TO THE INSURER AT THE TIME OF POLICY APPLICATION. A COPY SHALL
8 ALSO BE PROVIDED TO THE APPLICANT.

9 B. IF THE POLICY IS ISSUED OTHER THAN AS APPLIED FOR, A REVISED
10 BASIC ILLUSTRATION THAT CONFORMS TO THE POLICY AS ISSUED SHALL BE SENT
11 WITH THE POLICY. THE REVISED ILLUSTRATION SHALL CONFORM TO THE
12 REQUIREMENTS OF THIS ARTICLE, SHALL BE LABELED REVISED ILLUSTRATION AND
13 SHALL BE SIGNED AND DATED BY THE APPLICANT OR POLICYOWNER AND PRODUCER OR
14 OTHER AUTHORIZED REPRESENTATIVE OF THE INSURER NOT LATER THAN THE TIME THE
15 POLICY IS DELIVERED. A COPY SHALL BE PROVIDED TO THE INSURER AND THE
16 POLICYOWNER.

17 C. IF AN ILLUSTRATION IS NOT USED BY AN INSURANCE PRODUCER OR OTHER
18 AUTHORIZED REPRESENTATIVE IN THE SALE OF A LIFE INSURANCE POLICY OR IF THE
19 POLICY IS APPLIED FOR OTHER THAN AS ILLUSTRATED, THE PRODUCER OR
20 AUTHORIZED REPRESENTATIVE SHALL CERTIFY TO THAT EFFECT IN WRITING ON A
21 FORM PROVIDED BY THE INSURER. ON THE SAME FORM, THE APPLICANT SHALL
22 ACKNOWLEDGE THAT AN ILLUSTRATION CONFORMING TO THE POLICY APPLIED FOR WAS
23 NOT PROVIDED AND SHALL FURTHER ACKNOWLEDGE AN UNDERSTANDING THAT AN
24 ILLUSTRATION CONFORMING TO THE POLICY AS ISSUED WILL BE PROVIDED NOT LATER
25 THAN AT THE TIME OF POLICY DELIVERY. THE APPLICANT SHALL SUBMIT THIS FORM
26 TO THE INSURER AT THE TIME OF POLICY APPLICATION.

27 D. IF THE POLICY IS ISSUED, A BASIC ILLUSTRATION THAT CONFORMS TO
28 THE POLICY AS ISSUED SHALL BE SENT WITH THE POLICY AND SIGNED IN
29 ACCORDANCE WITH THE REQUIREMENTS OF THIS SECTION NOT LATER THAN THE TIME
30 THE POLICY IS DELIVERED. A COPY SHALL BE PROVIDED TO THE INSURER AND THE
31 POLICYOWNER.

32 E. IF THE INSURER MAILES THE BASIC ILLUSTRATION OR REVISED
33 ILLUSTRATION TO THE APPLICANT OR POLICYOWNER, THE BASIC ILLUSTRATION OR
34 REVISED ILLUSTRATION SHALL INCLUDE INSTRUCTIONS FOR THE APPLICANT OR
35 POLICYOWNER TO SIGN THE DUPLICATE COPY OF THE NUMERIC SUMMARY PAGE OF THE
36 ILLUSTRATION FOR THE POLICY ISSUED AND RETURN THE SIGNED COPY TO THE
37 INSURER. THE INSURER'S OBLIGATION UNDER THIS SUBSECTION IS SATISFIED IF
38 THE INSURER CAN DEMONSTRATE THAT IT HAS MADE A DILIGENT EFFORT TO SECURE A
39 SIGNED COPY OF THE NUMERIC SUMMARY PAGE. THE INSURER'S REQUIREMENT TO
40 MAKE A DILIGENT EFFORT IS SATISFIED IF THE INSURER INCLUDES IN THE MAILING
41 A SELF-ADDRESSED, POSTAGE PREPAID ENVELOPE WITH INSTRUCTIONS FOR RETURNING
42 THE SIGNED NUMERIC SUMMARY PAGE. IF THE APPLICANT OR POLICYOWNER CONSENTS
43 TO TRANSACT INSURANCE ELECTRONICALLY, THE INSURER MAY SEND A COPY WITH
44 INSTRUCTIONS FOR SIGNING AND RETURNING THE SIGNED COPY ELECTRONICALLY.

45 F. THE INSURER SHALL RETAIN A COPY OF THE BASIC ILLUSTRATION AND A
46 REVISED BASIC ILLUSTRATION, IF ANY, SIGNED AS APPLICABLE, ALONG WITH ANY
47 CERTIFICATION THAT EITHER NO ILLUSTRATION WAS USED OR THAT THE POLICY WAS
48 APPLIED FOR OTHER THAN AS ILLUSTRATED UNTIL THREE YEARS AFTER THE POLICY

1 IS NO LONGER IN FORCE. THE INSURER DOES NOT NEED TO RETAIN A COPY IF A
2 POLICY IS NOT ISSUED.

3 20-431.07. Annual report: notice to policyowners

4 A. IF A POLICY IS DESIGNATED AS ONE THAT WILL USE ILLUSTRATIONS,
5 THE INSURER SHALL PROVIDE EACH POLICYOWNER WITH AN ANNUAL REPORT ON THE
6 STATUS OF THE POLICY AS FOLLOWS:

7 1. FOR UNIVERSAL LIFE POLICIES, THE ANNUAL REPORT SHALL INCLUDE:

8 (a) THE BEGINNING DATE AND END DATE OF THE CURRENT REPORT PERIOD.

9 (b) THE POLICY VALUE AT THE END OF THE PREVIOUS REPORT PERIOD AND
10 AT THE END OF THE CURRENT REPORT PERIOD.

11 (c) THE TOTAL AMOUNTS THAT HAVE BEEN CREDITED OR DEBITED TO THE
12 POLICY VALUE DURING THE CURRENT REPORT PERIOD, IDENTIFYING EACH BY TYPE
13 AND INCLUDING INTEREST, MORTALITY, EXPENSE AND RIDERS.

14 (d) THE CURRENT DEATH BENEFIT AT THE END OF THE CURRENT REPORT
15 PERIOD ON EACH LIFE COVERED BY THE POLICY.

16 (e) THE NET CASH SURRENDER VALUE OF THE POLICY AS OF THE END OF THE
17 CURRENT REPORT PERIOD.

18 (f) THE AMOUNT OF OUTSTANDING LOANS, IF ANY, AS OF THE END OF THE
19 CURRENT REPORT PERIOD.

20 (g) FOR FIXED PREMIUM POLICIES, A NOTICE ~~[THAT]~~ [WHETHER] THE
21 POLICY'S NET CASH SURRENDER VALUE IS SUCH THAT IT WOULD NOT MAINTAIN
22 INSURANCE IN FORCE UNTIL THE END OF THE NEXT REPORTING PERIOD, ASSUMING
23 GUARANTEED INTEREST, MORTALITY AND EXPENSE LOADS AND CONTINUED SCHEDULED
24 PREMIUM PAYMENTS.

25 (h) FOR FLEXIBLE PREMIUM POLICIES, A NOTICE ~~[THAT]~~ [WHETHER] THE
26 POLICY'S NET CASH SURRENDER VALUE WILL NOT MAINTAIN INSURANCE IN FORCE
27 UNTIL THE END OF THE NEXT REPORTING PERIOD UNLESS FURTHER PREMIUM PAYMENTS
28 ARE MADE, ASSUMING GUARANTEED INTEREST, MORTALITY AND EXPENSE LOADS.

29 2. FOR ALL OTHER POLICIES, WHERE APPLICABLE, THE ANNUAL REPORT
30 SHALL INCLUDE THE FOLLOWING:

31 (a) CURRENT DEATH BENEFIT.

32 (b) ANNUAL CONTRACT PREMIUM.

33 (c) CURRENT CASH SURRENDER VALUE.

34 (d) CURRENT DIVIDEND.

35 (e) APPLICATION OF CURRENT DIVIDEND.

36 (f) AMOUNT OF OUTSTANDING LOAN.

37 B. INSURERS WRITING LIFE INSURANCE POLICES THAT DO NOT BUILD
38 NONFORFEITURE VALUES SHALL BE REQUIRED TO PROVIDE AN ANNUAL REPORT WITH
39 RESPECT TO SUCH POLICIES ONLY FOR THOSE YEARS WHEN THE INSURER HAS MADE A
40 CHANGE TO NONGUARANTEED POLICY ELEMENTS.

41 C. IF THE ANNUAL REPORT DOES NOT INCLUDE AN IN-FORCE ILLUSTRATION,
42 THE ANNUAL REPORT SHALL CONTAIN THE FOLLOWING PROMINENTLY DISPLAYED
43 NOTICE: "IMPORTANT POLICYOWNER NOTICE: YOU SHOULD CONSIDER REQUESTING MORE
44 DETAILED INFORMATION ABOUT YOUR POLICY TO UNDERSTAND HOW IT MAY PERFORM IN
45 THE FUTURE. YOU SHOULD NOT CONSIDER REPLACEMENT OF YOUR POLICY OR MAKE
46 CHANGES IN YOUR COVERAGE WITHOUT REQUESTING A CURRENT ILLUSTRATION. YOU
47 MAY ANNUALLY REQUEST, WITHOUT CHARGE, AN ILLUSTRATION BY CALLING
48 (INSURER'S TELEPHONE NUMBER), WRITING TO (INSURER'S NAME) AT (INSURER'S
49 ADDRESS OR EMAIL ADDRESS) OR CONTACTING YOUR AGENT. IF YOU DO NOT RECEIVE

1 A CURRENT ILLUSTRATION OF YOUR POLICY WITHIN THIRTY DAYS FROM THE DATE OF
2 YOUR REQUEST, YOU SHOULD CONTACT YOUR STATE INSURANCE DEPARTMENT." THE
3 INSURER MAY VARY THE SEQUENTIAL ORDER OF THE METHODS FOR OBTAINING AN
4 IN-FORCE ILLUSTRATION.

5 D. ON REQUEST OF A POLICYOWNER, THE INSURER SHALL FURNISH AN
6 IN-FORCE ILLUSTRATION OF CURRENT AND FUTURE BENEFITS AND VALUES BASED ON
7 THE INSURER'S PRESENT ILLUSTRATED SCALE. THIS ILLUSTRATION SHALL COMPLY
8 WITH SECTION 20-431.03, SUBSECTIONS A AND B [AND SECTION 20-431.04,
9 SUBSECTIONS A AND F]. A SIGNATURE OR OTHER ACKNOWLEDGEMENT OF RECEIPT OF
10 THIS ILLUSTRATION IS NOT REQUIRED.

11 E. IF THE INSURER MAKES AN ADVERSE CHANGE IN NONGUARANTEED ELEMENTS
12 THAT COULD AFFECT THE POLICY [SINCE THE LAST ANNUAL REPORT], THE ANNUAL
13 REPORT SHALL CONTAIN A NOTICE OF THAT FACT AND SHALL PROMINENTLY DISPLAY
14 THE NATURE OF THE CHANGE.

15 20-431.08. Illustration actuaries; annual certifications

16 A. THE BOARD OF DIRECTORS OF EACH INSURER SHALL APPOINT ONE OR MORE
17 ILLUSTRATION ACTUARIES.

18 B. THE ILLUSTRATION ACTUARY SHALL CERTIFY THAT THE DISCIPLINED
19 CURRENT SCALE THAT IS USED IN ILLUSTRATIONS CONFORMS WITH THE ACTUARIAL
20 STANDARD OF PRACTICE FOR COMPLIANCE WITH THE NATIONAL ASSOCIATION OF
21 INSURANCE COMMISSIONERS MODEL REGULATION ON LIFE INSURANCE ILLUSTRATIONS
22 THAT IS ADOPTED BY THE ACTUARIAL STANDARDS BOARD AND THAT THE ILLUSTRATED
23 SCALES USED IN INSURER AUTHORIZED ILLUSTRATIONS MEET THE REQUIREMENTS OF
24 THIS ARTICLE.

25 C. THE ILLUSTRATION ACTUARY SHALL:

26 1. BE A MEMBER IN GOOD STANDING OF THE AMERICAN ACADEMY OF
27 ACTUARIES.

28 2. BE FAMILIAR WITH THE STANDARD OF PRACTICE REGARDING LIFE
29 INSURANCE POLICY ILLUSTRATIONS.

30 3. AFTER NOTICE AND A HEARING, NOT HAVE BEEN FOUND BY THE DIRECTOR
31 TO HAVE:

32 (a) VIOLATED ANY PROVISION OF, OR ANY OBLIGATION IMPOSED BY, THIS
33 TITLE OR ANY OTHER LAW IN THE COURSE OF THE INDIVIDUAL'S DEALINGS AS AN
34 ILLUSTRATION ACTUARY.

35 (b) BEEN FOUND GUILTY OF FRAUDULENT OR DISHONEST PRACTICES.

36 (c) DEMONSTRATED INCOMPETENCE, LACK OF COOPERATION OR
37 UNTRUSTWORTHINESS TO ACT AS AN ILLUSTRATION ACTUARY.

38 (d) RESIGNED OR BEEN REMOVED AS AN ILLUSTRATION ACTUARY WITHIN THE
39 PREVIOUS FIVE YEARS AS A RESULT OF ACTS OR OMISSIONS INDICATED IN ANY
40 ADVERSE REPORT ON EXAMINATION OR AS A RESULT OF A FAILURE TO ADHERE TO
41 GENERALLY ACCEPTABLE ACTUARIAL STANDARDS.

42 4. NOTIFY THE DIRECTOR OF ANY ACTION TAKEN BY THE INSURANCE
43 DIRECTOR OF ANOTHER STATE FOR ACTS SIMILAR TO THOSE LISTED IN PARAGRAPH 3
44 OF THIS SUBSECTION.

45 5. DISCLOSE THE FOLLOWING IN THE ANNUAL CERTIFICATION, AS
46 APPLICABLE:

47 (a) SINCE THE LAST ANNUAL CERTIFICATION, WHETHER A CURRENTLY
48 PAYABLE SCALE APPLICABLE FOR BUSINESS ISSUED WITHIN THE PREVIOUS FIVE
49 YEARS AND WITHIN THE SCOPE OF THE CERTIFICATION WAS REDUCED FOR REASONS

1 OTHER THAN CHANGES IN THE EXPERIENCE FACTORS UNDERLYING THE DISCIPLINED
2 CURRENT SCALE.

3 (b) IF NONGUARANTEED ELEMENTS ILLUSTRATED FOR NEW POLICIES ARE NOT
4 CONSISTENT WITH THOSE ILLUSTRATED FOR SIMILAR IN-FORCE POLICIES.

5 (c) IF NONGUARANTEED ELEMENTS ILLUSTRATED FOR BOTH NEW AND IN-FORCE
6 POLICIES ARE INCONSISTENT WITH THE NONGUARANTEED ELEMENTS ACTUALLY BEING
7 PAID, CHARGED OR CREDITED TO THE SAME OR SIMILAR FORMS.

8 6. DISCLOSE IN THE ANNUAL CERTIFICATION THE METHOD THAT IS USED TO
9 ALLOCATE OVERHEAD EXPENSES FOR ALL ILLUSTRATIONS AS BEING ONE OF THE
10 FOLLOWING:

11 (a) FULLY ALLOCATED EXPENSES.

12 (b) MARGINAL EXPENSES.

13 (c) A GENERALLY RECOGNIZED EXPENSE TABLE THAT IS BASED ON FULLY
14 ALLOCATED EXPENSES REPRESENTING A SIGNIFICANT PORTION OF INSURANCE
15 COMPANIES AND THAT IS APPROVED BY THE ~~[NATIONAL ASSOCIATION OF INSURANCE~~
16 ~~COMMISSIONERS]~~ [DIRECTOR].

17 D. THE ILLUSTRATION ACTUARY SHALL FILE THE ANNUAL CERTIFICATION
18 WITH THE BOARD OF DIRECTORS OF THE INSURER AND WITH THE DIRECTOR AS
19 FOLLOWS:

20 1. ANNUALLY FOR ALL POLICY FORMS FOR WHICH ILLUSTRATIONS ARE USED.

21 2. BEFORE A NEW POLICY FORM IS ILLUSTRATED.

22 E. THE ILLUSTRATION ACTUARY SHALL PROMPTLY NOTIFY THE BOARD OF
23 DIRECTORS AND THE DIRECTOR IF AN ERROR IS FOUND IN PREVIOUS CERTIFICATION.

24 F. IF AN ILLUSTRATION ACTUARY IS UNABLE TO CERTIFY THE SCALE FOR
25 ANY POLICY FORM ILLUSTRATION THAT THE INSURER INTENDS TO USE, THE
26 ILLUSTRATION ACTUARY SHALL NOTIFY THE BOARD OF DIRECTORS OF THE INSURER
27 AND THE DIRECTOR PROMPTLY OF THE ILLUSTRATION ACTUARY'S INABILITY TO
28 CERTIFY.

29 G. A RESPONSIBLE OFFICER OF THE INSURER, OTHER THAN THE
30 ILLUSTRATION ACTUARY, SHALL CERTIFY ANNUALLY BOTH OF THE FOLLOWING:

31 1. THAT THE ILLUSTRATION FORMATS MEET THE REQUIREMENTS OF THIS
32 ARTICLE AND THAT THE SCALES USED IN INSURER-AUTHORIZED ILLUSTRATIONS ARE
33 THOSE SCALES THAT HAVE BEEN CERTIFIED BY THE ILLUSTRATION ACTUARY.

34 2. THAT THE COMPANY HAS PROVIDED ITS AGENTS WITH INFORMATION ABOUT
35 THE EXPENSE ALLOCATION METHOD USED IN ITS ILLUSTRATIONS AS DISCLOSED IN
36 SUBSECTION C, PARAGRAPH 6 OF THIS SECTION.

37 H. THE ANNUAL CERTIFICATIONS SHALL BE PROVIDED TO THE DIRECTOR EACH
38 YEAR BY THE DATE DETERMINED BY THE ~~[INSURER]~~ [DIRECTOR].

39 I. IF AN INSURER CHANGES THE ILLUSTRATION ACTUARY WHO IS
40 RESPONSIBLE FOR ALL OR A PORTION OF THE COMPANY'S POLICY FORMS, THE
41 INSURER SHALL NOTIFY THE DIRECTOR OF THE CHANGE PROMPTLY AS WELL AS THE
42 REASON FOR THE CHANGE.

43 ~~20-431.09.~~ Penalties

44 IN ADDITION TO ANY OTHER PENALTIES PROVIDED BY LAW, AN INSURER OR
45 PRODUCER THAT VIOLATES THIS ARTICLE COMMITS AN UNFAIR TRADE PRACTICE IN
46 VIOLATION OF SECTION 20-442.

1 Sec. 2. Effective date
2 This act is effective from and after December 31, 2025.
3 Enroll and engross to conform
4 Amend title to conform
And, as so amended, it do pass

JEFF WENINGER
CHAIRMAN

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