



General Assembly

**Substitute Bill No. 7262**

January Session, 2007

\*        HB07262INS        031507        \*

**AN ACT CONCERNING ELECTRONIC INSURANCE FILINGS AND VIATICAL SETTLEMENT CONTRACTS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. Section 38a-53 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2007*):

3       (a) Each domestic insurance company or health care center [doing  
4 business in this state] shall, annually, on or before the first day of  
5 March, [render] submit to the commissioner, and electronically to the  
6 National Association of Insurance Commissioners, a true and complete  
7 report, signed and sworn to by its president or a vice president, and  
8 secretary or an assistant secretary, of its financial condition on the  
9 thirty-first day of December next preceding, prepared in accordance  
10 with the National Association of Insurance Commissioners annual  
11 statement instructions handbook and following those accounting  
12 procedures and practices prescribed by the National Association of  
13 Insurance Commissioners accounting practices and procedures  
14 manual, subject to any deviations in form and detail as may be  
15 prescribed by the commissioner. An electronically filed report in  
16 accordance with section 38a-53a that is timely submitted to the  
17 National Association of Insurance Commissioners does not exempt a  
18 domestic insurance company or health care center from timely filing a  
19 true and complete paper copy with the commissioner.

20     (b) Each foreign insurance company doing business in this state  
21 shall, annually, on or before the first day of March, submit to the  
22 commissioner, by electronically filing with the National Association of  
23 Insurance Commissioners, a true and complete report, signed and  
24 sworn to by its president or a vice president, and secretary or an  
25 assistant secretary, of its financial condition on the thirty-first day of  
26 December next preceding, prepared in accordance with the National  
27 Association of Insurance Commissioners annual statement instructions  
28 handbook and following those accounting procedures and practices  
29 prescribed by the National Association of Insurance Commissioners  
30 accounting practices and procedures manual, subject to any deviations  
31 in form and detail as may be prescribed by the commissioner. An  
32 electronically filed report in accordance with section 38a-53a that is  
33 timely submitted to the National Association of Commissioners is  
34 deemed to have been submitted to the commissioner in accordance  
35 with this section.

36     ~~[(b)]~~ (c) In addition to such annual report, the commissioner, when  
37 he deems it necessary, may require any insurance company or health  
38 care center doing business in this state to file financial statements on a  
39 quarterly basis. An electronically filed true and complete report filed in  
40 accordance with section 38a-53a that is timely filed with the National  
41 Association of Insurance Commissioners shall be deemed to have been  
42 submitted to the commissioner in accordance with the provisions of  
43 this section.

44     (c) (d) In addition to such annual report and the quarterly report  
45 required under subsection ~~[(b)]~~ (c) of this section, the commissioner,  
46 whenever the commissioner determines that more frequent reports are  
47 required because of certain factors or trends affecting companies  
48 writing a particular class or classes of business or because of changes  
49 in the company's management or financial or operating condition, may  
50 require any insurance company or health care center doing business in  
51 this state to file financial statements on other than an annual or  
52 quarterly basis.

53     ~~[(d)]~~ (e) Any insurance company or health care center doing  
54 business in this state which fails to file any report or statement  
55 required under this section shall pay a late filing fee of one hundred  
56 dollars per day for each day from the due date of such report or  
57 statement to the date of filing.

58     ~~[(e)]~~ (f) Each insurance company or health care center doing  
59 business in this state shall include in all reports required to be filed  
60 with the commissioner under this section a certification by an actuary  
61 or reserve specialist of all reserve liabilities prepared in accordance  
62 with regulations which shall be adopted by the commissioner in  
63 accordance with chapter 54. The regulations shall: (1) Specify the  
64 contents and scope of the certification; (2) provide for the availability  
65 to the commissioner of the workpapers of the actuary or loss reserve  
66 specialist; and (3) provide for exemptions to the companies or centers  
67 from compliance with the requirements of this subsection. The  
68 commissioner shall maintain, as confidential, all workpapers of the  
69 actuary or loss reserve specialist and the actuarial report and actuarial  
70 opinion summary provided in support of the certification. Such  
71 workpapers, reports and summaries shall not be subject to subpoena  
72 or disclosure under the Freedom of Information Act, as defined in  
73 section 1-200.

74     Sec. 2. Section 38a-54 of the general statutes is repealed and the  
75 following is substituted in lieu thereof (*Effective October 1, 2007*):

76     (a) ~~[On or after December 31, 1990, each]~~ Each domestic insurance  
77 company, health care center or fraternal benefit society doing business  
78 in this state shall have an annual audit conducted by an independent  
79 certified public accountant and shall annually file an audited financial  
80 report with the commissioner, and electronically to the National  
81 Association of Insurance Commissioners on or before the first day of  
82 June for the year ending the preceding December thirty-first. An  
83 electronically filed true and complete report timely submitted to the  
84 National Association of Insurance Commissioners does not exempt a  
85 domestic insurance company or health care center from timely filing a

86 true and complete paper copy to the commissioner.

87 (b) Each foreign insurance company or fraternal benefit society  
88 doing business in this state shall have an annual audit conducted by an  
89 independent certified public accountant and shall annually file an  
90 audited financial report with the commissioner, and electronically to  
91 the National Association of Insurance Commissioners, on or before  
92 June first for the year ending the preceding December thirty-first. An  
93 electronically filed true and complete report timely submitted to the  
94 National Association of Insurance Commissioners shall be deemed to  
95 have been submitted to the commissioner in accordance with the  
96 provisions of this section.

97 [(b)] (c) The commissioner shall adopt regulations in accordance  
98 with the provisions of chapter 54 to: (1) Specify the scope of the  
99 examination required by this section; (2) specify the contents and scope  
100 of the annual audited financial report, provided such report shall  
101 include all incurred losses; (3) provide for the review of the controls;  
102 (4) provide for the availability to the commissioner of the workpapers  
103 of the certified public accountant; and (5) provide exemptions from  
104 compliance with the requirements of this section.

105 Sec. 3. Section 38a-614 of the general statutes is repealed and the  
106 following is substituted in lieu thereof (*Effective October 1, 2007*):

107 Reports shall be filed and synopses of annual statements shall be  
108 published in accordance with the provisions of this section.

109 (1) Every domestic society transacting business in this state shall  
110 annually, on or before the first day of March, unless for cause shown  
111 such time has been extended by the commissioner, file with the  
112 commissioner, and electronically to the National Association of  
113 Insurance Commissioners, a true and complete statement of its  
114 financial condition, transactions and affairs for the preceding calendar  
115 year and pay a fee of ten dollars for filing the same. The statement  
116 shall be in general form and context as approved by the National

117 Association of Insurance Commissioners for fraternal benefit societies  
118 and as supplemented by additional information required by the  
119 commissioner. An electronically filed true and complete report filed in  
120 accordance with section 38a-53a that is timely submitted to the  
121 National Association of Insurance Commissioners does not exempt a  
122 domestic insurance company or health care center from timely filing a  
123 true and complete paper copy with the commissioner.

124 (2) Every foreign society transacting business in this state shall  
125 annually, on or before the first day of March, unless for cause shown  
126 such time has been extended by the commissioner, file with the  
127 commissioner, and electronically to the National Association of  
128 Insurance Commissioners, a true and complete statement of its  
129 financial condition, transactions and affairs for the preceding calendar  
130 year and pay a fee of ten dollars for filing the same. The statement  
131 shall be in general form and context as approved by the National  
132 Association of Insurance Commissioners for fraternal benefit societies  
133 and as supplemented by additional information required by the  
134 commissioner. An electronically filed true and complete report filed in  
135 accordance with section 38a-53a that is timely submitted to the  
136 National Association of Insurance Commissioners shall be deemed to  
137 have been submitted to the commissioner in accordance with this  
138 section.

139 ~~[(2)]~~ (3) A synopsis of its annual statement providing an explanation  
140 of the facts concerning the condition of the society thereby disclosed  
141 shall be printed and mailed to each benefit member of the society not  
142 later than the first day of June of each year, or, in lieu thereof, such  
143 synopsis may be published in the society's official publication.

144 ~~[(3)]~~ (4) As part of the annual statement herein required, each  
145 society shall, on or before the first day of March, file with the  
146 commissioner a valuation of its certificates in force on December  
147 thirty-first last preceding, provided the commissioner may, in his  
148 discretion for cause shown, extend the time for filing such valuation  
149 for not more than two calendar months. Such report of valuation shall

150 show, as reserve liabilities, the difference between the present midyear  
151 value of the promised benefits provided in the certificates of such  
152 society in force and the present midyear value of the future net  
153 premiums as the same are in practice actually collected, not including  
154 therein any value for the right to make extra assessments and not  
155 including any amount by which the present midyear value of future  
156 net premiums exceeds the present midyear value of promised benefits  
157 on individual certificates. At the option of any society, in lieu of the  
158 above, the valuation may show the net tabular value. Such net tabular  
159 value as to certificates issued prior to January 1, 1959, shall be  
160 determined in accordance with the provisions of law applicable prior  
161 to January 1, 1958, and as to certificates issued on or after January 1,  
162 1959, shall not be less than the reserves determined according to the  
163 Commissioners' Reserve Valuation method as hereinafter defined. If  
164 the premium charge is less than the tabular net premium according to  
165 the basis of valuation used, an additional reserve equal to the present  
166 value of the deficiency in such premiums shall be set up and  
167 maintained as a liability. The reserve liabilities shall be properly  
168 adjusted if the midyear or tabular values are not appropriate.

169 [(4)] (5) Reserves according to the Commissioners' Reserve  
170 Valuation method, for the life insurance and endowment benefits of  
171 certificates providing for a uniform amount of insurance and requiring  
172 the payment of uniform premiums, shall be the excess, if any, of the  
173 present value, at the date of valuation, of such future guaranteed  
174 benefits provided for by such certificates over the then present value of  
175 any future modified net premiums therefor. The modified net  
176 premiums for any such certificate shall be such uniform percentage of  
177 the respective contract premiums for such benefits that the present  
178 value, at the date of issue of the certificate, of all such modified net  
179 premiums shall be equal to the sum of the then present value of such  
180 benefits provided for by the certificate and the excess of [(a)] (A) over  
181 [(b)] (B), as follows: [(a)] (A) A net level premium equal to the present  
182 value, at the date of issue, of such benefits provided for after the first  
183 certificate year, divided by the present value, at the date of issue, of an

184 annuity of one per annum payable on the first and each subsequent  
185 anniversary of such certificate on which a premium falls due; provided  
186 such net level annual premium shall not exceed the net level annual  
187 premium on the nineteen year premium whole life plan for insurance  
188 of the same amount at an age one year higher than the age at issue of  
189 such certificate; and [(b)] (B) a net one-year term premium for such  
190 benefits provided for in the first certificate year. Reserves according to  
191 the Commissioners' Reserve Valuation method for [(1)] (i) life  
192 insurance benefits for varying amounts of benefits or requiring the  
193 payment of varying premiums, [(2)] (ii) annuity and pure endowment  
194 benefits, [(3)] (iii) disability and accidental death benefits in all  
195 certificates and contracts, and [(4)] (iv) all other benefits except life  
196 insurance and endowment benefits shall be calculated by a method  
197 consistent with the principles of this [subsection] subdivision.

198 [(5)] (6) The present value of deferred payments due under incurred  
199 claims or matured certificates shall be deemed a liability of the society  
200 and shall be computed upon mortality and interest standards  
201 prescribed in [subsection (6)] subdivision (7) of this section.

202 [(6)] (7) Such valuation and underlying data shall be certified by a  
203 competent actuary or, at the expense of the society, verified by the  
204 actuary of the department of insurance of the state of domicile of the  
205 society. The minimum standards of valuation for certificates issued  
206 prior to January 1, 1959, shall be those provided by the law applicable  
207 immediately prior to January 1, 1958, but not lower than the standards  
208 used in the calculating of rates for such certificates. The minimum  
209 standard of valuation for certificates issued after January 1, 1959, shall  
210 be three and one-half per cent interest and the following tables: [(a)]  
211 (A) For certificates of life insurance, American Men Ultimate Table of  
212 Mortality, with Bowerman's or Davis' Extension thereof or, with the  
213 consent of the Insurance Commissioner, the Commissioner's 1941  
214 Standard Ordinary Mortality Table or the Commissioner's 1941  
215 Standard Industrial Table of Mortality, or the Commissioners' 1958  
216 Standard Ordinary Mortality Table, except that, with the approval of

217 the commissioner, the valuation of contracts on female risks may be  
218 calculated, at the option of the society, according to an age not more  
219 than three years younger than the actual age of the insured; [(b)] (B) for  
220 annuity certificates, including life annuities provided or available  
221 under optional modes of settlement in such certificates, the 1937  
222 Standard Annuity Table; [(c)] (C) for disability benefits issued in  
223 connection with life benefit certificates, Hunter's Disability Table,  
224 which, for active lives, shall be combined with a mortality table  
225 permitted for calculating the reserves on life insurance certificates,  
226 except that the table known as Class III Disability Table (1926),  
227 modified to conform to the contractual waiting period, shall be used in  
228 computing reserves for disability benefits under a contract which  
229 presumes that total disability shall be considered to be permanent after  
230 a specified period; [(d)] (D) for accidental death benefits issued in  
231 connection with life benefit certificates, the Inter-Company Double  
232 Indemnity Mortality Table combined with a mortality table permitted  
233 for calculating the reserves for life insurance certificates; and [(e)] (E)  
234 for noncancellable accident and health benefits, the Class III Disability  
235 Table (1926) with conference modifications or, with the consent of the  
236 commissioner, tables based upon the society's own experience. The  
237 commissioner may, in [his] the commissioner's discretion, accept other  
238 standards for valuation if [he] the commissioner finds that the reserves  
239 produced thereby will not be less in the aggregate than reserves  
240 computed in accordance with the minimum valuation standard herein  
241 prescribed. The commissioner may, in his or her discretion, vary the  
242 standards of mortality applicable to all certificates of insurance on  
243 substandard lives or other extra hazardous lives by any society  
244 authorized to do business in this state. Whenever the mortality  
245 experience under all certificates valued on the same mortality table is  
246 in excess of the expected mortality according to such table for a period  
247 of three consecutive years, the commissioner may require additional  
248 reserves when deemed necessary in his or her judgment on account of  
249 such certificates. Any society, with the consent of the insurance  
250 commissioner of the state of domicile of the society and under such  
251 conditions, if any, which [he] the commissioner may impose, may

252 establish and maintain reserves on its certificates in excess of the  
253 reserves required thereunder, but the contractual rights of any insured  
254 member shall not be affected thereby.

255 [(7)] (8) A society neglecting to file the annual statement in the form  
256 and within the time provided by this section shall forfeit one hundred  
257 dollars for each day during which such neglect continues, and, upon  
258 notice by the commissioner to that effect, its authority to do business in  
259 this state shall cease while such default continues.

260 [(8)] (9) Notwithstanding the provisions of this section, a society  
261 may, with the approval of the Insurance Commissioner, use the  
262 standards for valuation and nonforfeiture authorized by the provisions  
263 of sections 38a-61, 38a-77, 38a-78, 38a-81, 38a-82, 38a-284, 38a-287, 38a-  
264 430 to 38a-454, inclusive, and 38a-458.

265 Sec. 4. Subdivision (16) of section 38a-465 of the general statutes is  
266 repealed and the following is substituted in lieu thereof (*Effective*  
267 *October 1, 2007*):

268 (16) "Viatical settlement contract" means a written agreement  
269 establishing the terms under which compensation or anything of value  
270 will be paid, which compensation or value is less than the expected  
271 death benefit of a policy in return for the viator's assignment, transfer,  
272 sale, devise or bequest of the death benefit or ownership of any portion  
273 of the policy but which shall not be less than the cash surrender value  
274 or accelerated death benefit available under the policy. A viatical  
275 settlement contract includes, but is not limited to, (A) a contract for a  
276 loan or other financing transaction with a viator secured primarily by  
277 an individual or group life insurance policy, other than a loan by a life  
278 insurance company pursuant to the terms of the life insurance contract,  
279 or a loan secured by the cash value of a policy, or (B) an agreement  
280 with a viator to transfer ownership or change the beneficiary  
281 designation at a later date regardless of the date that compensation is  
282 paid to the viator.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2007</i>	38a-53
Sec. 2	<i>October 1, 2007</i>	38a-54
Sec. 3	<i>October 1, 2007</i>	38a-614
Sec. 4	<i>October 1, 2007</i>	38a-465(16)

**INS**      *Joint Favorable Subst.*