

BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
OFFICE OF THE MONTANA STATE AUDITOR

In the matter of the amendment of) NOTICE OF PROPOSED
ARM 6.6.6701, 6.6.6703, 6.6.6705,) AMENDMENT
6.6.6707, 6.6.6709, 6.6.6711, and)
6.6.6713 regarding valuation of life) NO PUBLIC HEARING
insurance policies) CONTEMPLATED

TO: All Concerned Persons

1. The Commissioner of Securities and Insurance, Office of the Montana State Auditor (CSI), proposes to amend the above-stated rules.

2. The CSI will make reasonable accommodations for persons with disabilities who wish to participate in this rulemaking process or need an alternative accessible format of this notice. If you require an accommodation, contact the CSI no later than 5:00 p.m. on January 23, 2018, to advise us of the nature of the accommodation that you need. Please contact Ramona Bidon, CSI, 840 Helena Avenue, Helena, Montana, 59601; telephone (406) 444-2726; TDD (406) 444-3246; fax (406) 444-3499; or e-mail rbidon@mt.gov.

3. The rules as proposed to be amended provide as follows, new matter underlined, deleted matter interlined:

6.6.6701 PURPOSE (1) and (2) remain the same.

AUTH: 33-1-313, 33-2-418, MCA

IMP: ~~33-2-521, 33-2-522, 33-2-523, 33-2-524, 33-2-525, 33-2-526, 33-2-527, 33-2-528, 33-2-529, 33-2-531, 33-2-537~~ 33-2-407, 33-2-408, 33-2-409, 33-2-410, 33-2-411, 33-2-412, 33-2-413, 33-2-414, 33-2-415, 33-2-416, 33-2-417, MCA

REASON: The CSI proposes to amend ARM 6.6.6701, 6.6.6703, 6.6.6705, 6.6.6707, 6.6.6709, 6.9.6711, and 6.6.6713 to update citations to the implementing statutes. In 2015, the Legislature renumbered all implementation statutes for this rule. This amendment renumbers the statutes accordingly. Additionally, the renumbering resulted in the applicability of an additional authorizing statute, which is proposed to be added.

6.6.6703 APPLICABILITY (1) and (2) remain the same.

AUTH: 33-1-313, 33-2-418, MCA

IMP: ~~33-2-521, 33-2-522, 33-2-523, 33-2-524, 33-2-525, 33-2-526, 33-2-527, 33-2-528, 33-2-529, 33-2-531, 33-2-537~~ 33-2-407, 33-2-408, 33-2-409, 33-2-410, 33-2-411, 33-2-412, 33-2-413, 33-2-414, 33-2-415, 33-2-416, 33-2-417, MCA

6.6.6705 DEFINITIONS For purposes of this subchapter ~~these rules~~:

(1) "Basic reserves" means reserves calculated in accordance with ~~33-2-525~~ 33-2-411, MCA.

(2) remains the same.

(3) "Deficiency reserves" means the excess, if greater than 0, of minimum reserves calculated in accordance with ~~33-2-526~~ 33-2-412, MCA, over basic reserves.

(4) remains the same.

(5) "Maximum valuation interest rates" means the interest rates defined in ~~33-2-527~~ 33-2-413, MCA, that are to be used in determining the minimum standard for the valuation of life insurance policies.

(6) through (12) remain the same.

AUTH: 33-1-313, 33-2-418, MCA

IMP: ~~33-2-521, 33-2-522, 33-2-523, 33-2-524, 33-2-525, 33-2-526, 33-2-527, 33-2-528, 33-2-529, 33-2-531, 33-2-537~~ 33-2-407, 33-2-408, 33-2-409, 33-2-410, 33-2-411, 33-2-412, 33-2-413, 33-2-414, 33-2-415, 33-2-416, 33-2-417, MCA

REASON: In addition to the reasons referenced under ARM 6.6.6701, the CSI proposes to amend this rule to update citations in the text of the rule to statutes that were renumbered in 2015.

6.6.6707 GENERAL CALCULATION REQUIREMENTS FOR BASIC RESERVES AND PREMIUM DEFICIENCY RESERVES (1) remains the same.

(2) Deficiency reserves, if any, are calculated for each policy as the excess, if greater than 0, of the quantity A over the basic reserve. The quantity A is obtained by recalculating the basic reserve for the policy using guaranteed gross premiums instead of net premiums when the guaranteed gross premiums are less than the corresponding net premiums. At the election of the insurer for any one or more specified plans of insurance, the quantity A and the corresponding net premiums used in the determination of quantity A may be based upon the 1980 CSO valuation tables with select mortality factors. If select mortality factors are elected, they may be:

(a) through (6) remain the same.

AUTH: 33-1-313, 33-2-418, MCA

IMP: ~~33-2-521, 33-2-522, 33-2-523, 33-2-524, 33-2-525, 33-2-526, 33-2-527, 33-2-528, 33-2-529, 33-2-531, 33-2-537~~ 33-2-407, 33-2-408, 33-2-409, 33-2-410, 33-2-411, 33-2-412, 33-2-413, 33-2-414, 33-2-415, 33-2-416, 33-2-417, MCA

REASON: In addition to the reasons referenced under ARM 6.6.6701, the CSI proposes to amend this rule to insert a word inadvertently omitted at the rule's adoption. This subchapter is based upon the National Association of Insurance Commissioners Valuation of Life Insurance Policies Model Regulation. A review of the model confirms the word "factors" should be inserted as indicated above, as is clear from the context of the rule itself.

6.6.6709 CALCULATION OF MINIMUM VALUATION STANDARD FOR POLICIES WITH GUARANTEED NONLEVEL GROSS PREMIUMS OR GUARANTEED NONLEVEL BENEFITS (OTHER THAN UNIVERSAL LIFE POLICIES) (1) through (15) remain the same.

AUTH: 33-1-313, 33-2-418, MCA

IMP: ~~33-2-521, 33-2-522, 33-2-523, 33-2-524, 33-2-525, 33-2-526, 33-2-527, 33-2-528, 33-2-529, 33-2-531, 33-2-537~~ 33-2-407, 33-2-408, 33-2-409, 33-2-410, 33-2-411, 33-2-412, 33-2-413, 33-2-414, 33-2-415, 33-2-416, 33-2-417, MCA

6.6.6711 CALCULATION OF MINIMUM VALUATION STANDARD FOR FLEXIBLE PREMIUM AND FIXED PREMIUM UNIVERSAL LIFE INSURANCE POLICIES THAT CONTAIN PROVISIONS RESULTING IN THE ABILITY OF A POLICYOWNER TO KEEP A POLICY IN FORCE OVER A SECONDARY GUARANTEE PERIOD (1) through (8) remain the same.

AUTH: 33-1-313, 33-2-418, MCA

IMP: ~~33-2-521, 33-2-522, 33-2-523, 33-2-524, 33-2-525, 33-2-526, 33-2-527, 33-2-528, 33-2-529, 33-2-531, 33-2-537~~ 33-2-407, 33-2-408, 33-2-409, 33-2-410, 33-2-411, 33-2-412, 33-2-413, 33-2-414, 33-2-415, 33-2-416, 33-2-417, MCA

6.6.6713 SELECT MORTALITY FACTORS (1) through (5) remain the same.

AUTH: 33-1-313, 33-2-418, MCA

IMP: ~~33-2-521, 33-2-522, 33-2-523, 33-2-524, 33-2-525, 33-2-526, 33-2-527, 33-2-528, 33-2-529, 33-2-531, 33-2-537~~ 33-2-407, 33-2-408, 33-2-409, 33-2-410, 33-2-411, 33-2-412, 33-2-413, 33-2-414, 33-2-415, 33-2-416, 33-2-417, MCA

4. Concerned persons may submit their data, views, or arguments in writing to: Michael A. Kakuk, Attorney, Office of the Commissioner of Securities and Insurance, Montana State Auditor, 840 Helena Ave., Helena, Montana, 59601; telephone (406) 444-5223; fax (406) 444-3499; or e-mail mkakuk@mt.gov, and must be received no later than 5:00 p.m. on February 9, 2018.

5. If persons who are directly affected by the proposed action wish to express their data, views, or arguments orally or in writing at a public hearing, they must make written request for a hearing and submit this request along with any written comments to Michael A. Kakuk at the above address no later than 5:00 p.m. on February 9, 2018.

6. If the agency receives requests for a public hearing on the proposed action from either 10 percent or 25, whichever is less, of the persons directly affected by the proposed action; from the appropriate administrative rule review committee of the Legislature; from a governmental subdivision or agency; or from an association having not less than 25 members who will be directly affected, a hearing will be held at a later date. Notice of the hearing will be published in the Montana Administrative Register. Ten percent of those directly affected has been determined to be 45

persons based on the number of life insurers with a Montana certificate of authority. Almost all of the rule changes are non-substantive and have no impact on any party, but are necessary for the CSI to satisfy its requirements for periodic review of administrative rules.

7. The CSI maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list may sign up by clicking on the blue button on the CSI's website at: <http://csimt.gov/laws-rules/> and may specify the subject matter they are interested in. Notices will be sent by e-mail unless a mailing preference is noted in the request. Request may also be sent to the CSI in writing. Such written request may be mailed or delivered to the contact information in 2 above, or may be made by completing a request form at any rules hearing held by the CSI.

8. The bill sponsor contact requirements of 2-4-302, MCA, do not apply.

9. With regard to the requirements of 2-4-111, MCA, the department has determined that the amendment of the above-referenced rules will not significantly and directly impact small businesses.

/s/ Michael A. Kakuk
Michael A. Kakuk
Rule Reviewer

/s/ Kris Hansen
Kris Hansen
Chief Legal Counsel

Certified to the Secretary of State January 2, 2018.