

Secretary of the State File Number

6307

Regulation of the
Insurance Department
Concerning

Term and Universal Life Insurance Reserve Financing

Regulations adopted after July 1, 2013, become effective upon posting to the Connecticut eRegulations System, or at a later date if specified within the regulation.

Posted to the Connecticut eRegulations System on **November 6, 2019**

EFFECTIVE DATE

November 6, 2019

Approved by the Attorney General on

August 28, 2019

Approved by the Legislation Regulation Review Committee on

October 22, 2019

Electronic copy with agency head certification statement electronically submitted to and received by the Office of the Secretary of the State on

October 29, 2019

IMPORTANT NOTICE FOR CONNECTICUT STATE AGENCIES
This form should be used only for regulations first noticed *on and after March 23, 2015.*

Electronic Copy Certification Statement

(Submitted in accordance with the provisions of section 4-172 of the Connecticut General Statutes)

Regulation of the
Insurance Department
Concerning
Term and Universal Life Insurance Reserve Financing

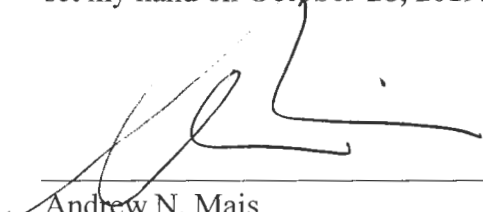
Approved by the Legislative Regulation Review Committee: **October 22, 2019**

eRegulations System Tracking Number: **PR-2018-005**

I hereby certify that the electronic copy of the above-referenced regulation submitted herewith to the Secretary of the State is a true and accurate copy of the regulation approved in accordance with sections 4-169 and 4-170 of the *Connecticut General Statutes*.

And I further certify that in accordance with the approval of Legislative Regulation Review Committee, all required technical corrections, page substitutions and deletions, if any, have been incorporated into said regulation.

In testimony whereof, I have hereunto
set my hand on **October 28, 2019**.



Andrew N. Mais

Commissioner
Insurance Department

**State of Connecticut
Regulation of
Insurance Department
Concerning
Term and Universal Life Insurance Reserve Financing**

Section 1. The Regulations of Connecticut State Agencies are amended by adding sections 38a-88-13 to 38a-88-19, inclusive, as follows:

Term and Universal Life Insurance Reserve Financing

(NEW) Sec. 38a-88-13. Scope and Application

(a) Sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies are intended to conform to national uniform standards governing reserve financing arrangements pertaining to life insurance policies containing guaranteed nonlevel gross premiums, guaranteed nonlevel benefits and universal life insurance policies with secondary guarantees; and to ensure that, with respect to each such financing arrangement, funds consisting of primary security and other security, as those terms are defined in section 38a-88-14 of the Regulations of Connecticut State Agencies, are held by or on behalf of ceding insurers in the forms and amounts required in this section and sections 38a-88-14 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies. In general, reinsurance ceded for reserve financing purposes has one or more of the following characteristics: Some or all of the assets used to secure the reinsurance contract or to capitalize the reinsurer (1) are issued by the ceding insurer or its affiliates; (2) are not unconditionally available to satisfy the general account obligations of the ceding insurer; or (3) create a reimbursement, indemnification or other similar obligation on the part of the ceding insurer or any of its affiliates (other than a payment obligation under a derivative contract acquired in the normal course and used to support and hedge liabilities pertaining to the actual risks in the policies ceded pursuant to the reinsurance contract).

(b) Sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies shall apply to reinsurance treaties that cede liabilities pertaining to Covered Policies, as that term is defined in section 38a-88-14 of the Regulations of Connecticut State Agencies, issued by any life insurance company domiciled in this state. Sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies and sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies shall both apply to such reinsurance treaties that cede liabilities pertaining to covered policies; provided, that in the event of a direct conflict between the provisions of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies and sections 38a-88-1 to 38a-88-12, inclusive, of the Regulations of Connecticut State Agencies, the provisions of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies shall apply, but only to the extent of the conflict.

(NEW) Sec. 38a-88-14. Definitions

As used in sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies:

- (1) “Actuarial method” means the methodology used to determine the required level of primary security, as described in section 38a-88-15 of the Regulations of Connecticut State Agencies.
- (2) “Attained-age-based yearly renewable term life insurance policies” means policies where:
- (A) The premium rates, on both the initial current premium scale and the guaranteed maximum premium scale, are based upon the attained age of the insured such that the rate for any given policy at a given attained age of the insured is independent of the year the policy was issued; and
- (B) The premium rates, on both the initial current premium scale and the guaranteed maximum premium scale, are the same as the premium rates for policies covering all insured of the same sex, risk class, plan of insurance and attained age.
- (3) “Covered policies” means the following: Subject to the exemptions described in section 38a-88-17 of the Regulations of Connecticut State Agencies, those policies, other than grandfathered policies, of the following policy types:
- (A) Life insurance policies with guaranteed nonlevel gross premiums and/or guaranteed nonlevel benefits, except for flexible premium universal life insurance policies; or
- (B) Flexible premium universal life insurance policies with provisions resulting in the ability of a policyholder to keep a policy in force over a secondary guarantee period.
- (4) “Commissioner” means the Insurance Commissioner of the State of Connecticut.
- (5) “Grandfathered policies” means policies of the types described in subdivisions (3)(A) and (3)(B) of this section that were issued prior to January 1, 2015 and ceded, as of December 31, 2014, as part of a reinsurance contract that would not have met one of the exemptions set forth in section 38a-88-17 of the Regulations of Connecticut State Agencies had that section then been in effect.
- (6) “NAIC” means the National Association of Insurance Commissioners.
- (7) “Non-covered policies” means any policy that does not meet the definition of covered policies, including grandfathered policies.
- (8) “*n*-year renewable term life insurance policies” means policies that meet the following conditions:
- (A) The policy consists of a series of *n*-year periods, including the first period and all renewal periods, where *n* is the same for each period, except that for the final renewal period, *n* may be truncated or extended to reach the expiry age, provided that this final renewal period is less than ten (10) years and less than twice the size of the earlier *n*-year periods, and for each period, the premium rates on both the initial current premium scale and the guaranteed maximum premium scale are level;
- (B) The guaranteed gross premiums in all *n*-year periods are not less than the corresponding net premiums based upon the 1980 Commissioners’ Standard Ordinary Table with or without the ten (10) year select mortality factors; and
- (C) There are no cash surrender values in any policy year.
- (9) “Required level of primary security” means the dollar amount determined by applying the actuarial method to the risks ceded with respect to covered policies, but not more than the total reserve ceded.
- (10) “Primary security” means the following forms of security:
- (A) Cash meeting the requirements of section 38a-86 of the Connecticut General Statutes;
- (B) Securities listed by the NAIC’s Securities Valuation Office meeting the requirements of section 38a-86 of the Connecticut General Statutes, but excluding any synthetic letter of credit, contingent note, credit-linked note or other similar security that operates in a manner similar to a letter of credit, and excluding any securities issued by the ceding insurer or any of its affiliates; and
- (C) For security held in connection with funds-withheld and modified coinsurance reinsurance treaties:
- (i) Commercial loans in good standing of CM3 quality or higher;
- (ii) Policy loans; and

(iii) Derivatives acquired in the normal course and used to support and hedge liabilities pertaining to the actual risks in the policies ceded pursuant to the reinsurance contract.

(11) “Other security” means any security acceptable to the Commissioner other than security meeting the definition of primary security.

(12) “Valuation manual” means the valuation manual adopted by the NAIC described in Section 11B(1) of the Standard Valuation Law, with all amendments adopted by the NAIC that are effective for the financial statement date on which credit for reinsurance is claimed.

(13) “VM-20” means “Requirements for Principle-Based Reserves for Life Products”, including all relevant definitions, from the valuation manual.

(NEW) Sec. 38a-88-15. The Actuarial Method

(a) **Actuarial Method.** The actuarial method to establish the required level of primary security for each reinsurance contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies shall be VM-20, applied on a contract-by-contract basis including all relevant definitions from the valuation manual as then in effect, applied as follows:

(1) For covered policies described in section 38a-88-14(3)(A) of the Regulations of Connecticut State Agencies, the actuarial method is the greater of the deterministic reserve or the net premium reserve regardless of whether the criteria for exemption testing can be met. However, if the covered policies do not meet the requirements of the stochastic reserve exclusion test in the valuation manual, then the actuarial method is the greatest of the deterministic reserve, the stochastic reserve or the net premium reserve. In addition, if such covered policies are reinsured in a reinsurance contract that also contains covered policies described in section 38a-88-14(3)(B) of the Regulations of Connecticut State Agencies, the ceding insurer may elect to instead use subdivision (2) of this subsection as the actuarial method for the entire reinsurance agreement. Whether this subdivision or subdivision (2) of this subsection is used, the actuarial method must comply with any requirements or restrictions that the valuation manual imposes when aggregating these policy types for the purposes of principle-based reserve calculations.

(2) For covered policies described in section 38a-88-14(3)(B) of the Regulations of Connecticut State Agencies, the actuarial method is the greatest of the deterministic reserve, the stochastic reserve or the net premium reserve regardless of whether the criteria for exemption testing can be met.

(3) Except as provided in subdivision (4) of this subsection, the actuarial method is to be applied on a gross basis to all risks with respect to the covered policies as originally issued or assumed by the ceding insurer.

(4) If the reinsurance contract cedes less than one hundred percent (100%) of the risk with respect to the covered policies then the required level of primary security may be reduced as follows:

(A) If the reinsurance contract cedes only a quota share of some or all of the risks pertaining to the covered policies, the required level of primary security, as well as any adjustment under subparagraph (C) of this subdivision, may be reduced to a pro rata portion in accordance with the percentage of the risk ceded;

(B) If the reinsurance contract in a non-exempt arrangement cedes only the risks pertaining to a secondary guarantee, the required level of primary security may be reduced by an amount determined by applying the actuarial method on a gross basis to all risks, other than risks related to the secondary guarantee, pertaining to the covered policies, except that for covered policies for which the ceding insurer did not elect to apply the provisions of VM-20 to establish statutory reserves, the required level of primary security may be reduced by the statutory reserve retained by the ceding insurer on those covered policies, where the retained reserve of those covered policies should be reflective of any reduction pursuant to the cession of mortality risk on a yearly renewable term basis in any exempt arrangement;

(C) If a portion of the covered policy risk is ceded to another reinsurer on a yearly renewable term basis in an exempt arrangement, the required level of primary security may be reduced by the amount resulting by applying the actuarial method, including the reinsurance section of VM-20, to the portion of the covered policy risks ceded in the exempt arrangement, except that for covered policies issued prior to January 1, 2017, this adjustment is not to exceed $[c_x / (2 * \text{number of reinsurance premiums per year})]$ where c_x is calculated using the same mortality table used in calculating the net premium reserve; and

(D) For any other contract ceding a portion of risk to a different reinsurer, including but not limited to stop loss, excess of loss and other non-proportional reinsurance treaties, there shall be no reduction in the required level of primary security.

(5) It is possible for any combination of subparagraphs (A), (B), (C) and (D) of subdivision (4) of this subsection to apply. Such adjustments to the required level of primary security shall be done in the sequence that accurately reflects the portion of the risk ceded via the contract. The ceding insurer shall document the rationale and steps taken to accomplish the adjustments to the required level of primary security due to the cession of less than one hundred percent (100%) of the risk. The adjustments for other reinsurance shall be made only with respect to reinsurance treaties entered into directly by the ceding insurer. The ceding insurer shall make no adjustments as a result of a retrocession contract entered into by the assuming insurers.

(6) In no event shall the required level of primary security resulting from application of the actuarial method be required to exceed the amount of statutory reserves ceded.

(7) If the ceding insurer cedes risks with respect to covered policies, including any riders, in more than one reinsurance contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies, in no event shall the aggregate required level of primary security for those reinsurance treaties be less than the required level of primary security calculated using the actuarial method as if all risks ceded in those treaties were ceded in a single contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies.

(8) If a reinsurance contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies cedes risk on both covered policies and non-covered policies, credit for the ceded reserves shall be determined as follows:

(A) The actuarial method shall be used to determine the required level of primary security for the covered policies, and section 38a-88-16 of the Regulations of Connecticut State Agencies shall be used to determine the reinsurance credit for the covered policy reserves; and

(B) Credit for the non-covered policy reserves shall be granted only to the extent that security, in addition to the security held to satisfy the requirements of subparagraph (A) of this subdivision, is held by or on behalf of the ceding insurer in accordance with sections 38a-85 and 38a-86 of the Connecticut General Statutes. Any primary security used to meet the requirements of this subparagraph may not be used to satisfy the required level of primary security for the covered policies.

(b) **Valuation Used for Purposes of Calculations.** For the purposes of both calculating the required level of primary security pursuant to the actuarial method and determining the amount of primary security and other security, as applicable, held by or on behalf of the ceding insurer, the following shall apply:

(1) For assets, including any such assets held in trust, that would be admitted under the NAIC Accounting Practices and Procedures Manual if they were held by the ceding insurer, the valuations are to be determined according to statutory accounting procedures as if such assets were held in the ceding insurer's general account and without taking into consideration the effect of any prescribed or permitted practices; and

(2) For all other assets, the valuations are to be those that were assigned to the assets for the

purpose of determining the amount of reserve credit taken. In addition, the asset spread tables and asset default cost tables required by VM-20 shall include in the actuarial method if adopted by the NAIC's Life Actuarial (A) Task Force, no later than the December 31st on or immediately preceding the valuation date for which the required level of primary security is being calculated. The tables of asset spreads and asset default costs shall be incorporated into the actuarial method in the manner specified in VM-20.

(NEW) Sec. 38a-88-16. Requirements Applicable to Covered Policies to Obtain Credit for Reinsurance; Opportunity for Remediation

(a) **Requirements.** Subject to the exemptions described in section 38a-88-17 of the Regulations of Connecticut State Agencies and the provisions of subsection (b) of this section, credit for reinsurance shall be allowed with respect to ceded liabilities pertaining to covered policies pursuant to sections 38a-85 and 38a-86 of the Connecticut General Statutes if in addition to all other requirements imposed by the Connecticut General Statutes or the Regulations of Connecticut State Agencies, the following requirements are met on a contract-by-contract basis:

(1) The ceding insurer's statutory policy reserves with respect to the covered policies are established in full and in accordance with the applicable requirements of sections 38a-77, 38a-78, 38a-78a and 38a-79 of the Connecticut General Statutes and related regulations and actuarial guidelines, and credit claimed for any reinsurance contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies does not exceed the proportionate share of those reserves ceded under the contract;

(2) The ceding insurer determines the required level of primary security with respect to each reinsurance contract subject to sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies and provides such support for its calculation that the Commissioner determines to be acceptable;

(3) Funds consisting of primary security, in an amount at least equal to the required level of primary security, are held by or on behalf of the ceding insurer, as security under the reinsurance contract within the meaning of section 38a-86 of the Connecticut General Statutes, on a funds withheld, trust or modified coinsurance basis;

(4) Funds consisting of other security, in an amount at least equal to any portion of the statutory reserves as to which primary security is not held pursuant to subdivision (3) of this subsection, are held by or on behalf of the ceding insurer as security under the reinsurance contract within the meaning of section 38a-86 of the Connecticut General Statutes;

(5) Any trust used to satisfy the requirements of this section shall comply with all of the conditions and qualifications of section 38a-88-7 of the Regulations of Connecticut State Agencies, except that:

(A) Funds consisting of primary security or other security held in trust shall, for the purposes identified in section 38a-88-15(b) of the Regulations of Connecticut State Agencies, be valued according to the valuation rules set forth in section 38a-88-15(b) of the Regulations of Connecticut State Agencies, as applicable;

(B) There are no affiliate investment limitations with respect to any security held in such trust if such security is not needed to satisfy the requirements of subdivision (3) of this subsection;

(C) The reinsurance contract must prohibit withdrawals or substitutions of trust assets that would leave the fair market value of the primary security within the trust (when aggregated with primary security outside the trust that is held by or on behalf of the ceding insurer in the manner required by subdivision (3) of this subsection) below one hundred two percent (102%) of the level required by subdivision (3) of this subsection at the time of the withdrawal or substitution; and

(D) The determination of reserve credit under subsection (d)(3) of section 38a-88-7 of the

Regulations of Connecticut State Agencies shall be determined according to the valuation rules set forth in section 38a-88-15(b) of the Regulations of Connecticut State Agencies, as applicable; and

(6) The reinsurance contract has been approved by the Commissioner.

(b) Requirements at Inception Date and on an On-going Basis; Remediation

(1) The requirements of subsection (a) of this section shall be satisfied as of the date that risks under Covered Policies are ceded (if such date is on or after the effective date of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies) and on an ongoing basis thereafter. Under no circumstances shall a ceding insurer take or consent to any action or series of actions that would result in a deficiency under subdivision (3) or (4) of subsection (a) of this section with respect to any reinsurance contract under which Covered Policies have been ceded, and in the event that a ceding insurer becomes aware at any time that such a deficiency exists, it shall use its best efforts to arrange for the deficiency to be eliminated as expeditiously as possible.

(2) Prior to the due date of each quarterly or annual statement, each life insurance company that has ceded reinsurance within the scope of section 38a-88-13 of the Regulations of Connecticut State Agencies shall perform an analysis, on a contract-by-contract basis, to determine, as to each reinsurance contract under which covered policies have been ceded, whether as of the end of the immediately preceding calendar quarter (the valuation date) the requirements of subdivisions (3) and (4) of subsection (a) of this section were satisfied. The ceding insurer shall establish a liability equal to the excess of the credit for reinsurance taken over the amount of primary security actually held pursuant to subsection (a)(3) of this section, unless either:

(A) The requirements of subdivisions (3) and (4) of subsection (a) of this section were fully satisfied as of the valuation date as to such reinsurance contract; or

(B) Any deficiency has been eliminated before the due date of the quarterly or annual statement to which the valuation date relates through the addition of primary security and/or other security, as the case may be, in such amount and in such form as would have caused the requirements of subdivisions (3) and (4) of subsection (a) of this section to be fully satisfied as of the valuation date.

(3) Nothing in subdivision (2) of this subsection shall be construed to allow a ceding company to maintain any deficiency under subdivision (3) or (4) of subsection (a) of this section for any period of time longer than is reasonably necessary to eliminate it.

(NEW) Sec. 38a-88-17. Exemptions from this Regulation

Sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies do not apply to the following situations:

(a) Reinsurance of:

(1) Attained-age-based yearly renewable term life insurance policies or *n*-year renewable term life insurance policies; and which are issued before the later of:

(A) The effective date of this section; or

(B) The date on which the ceding insurer begins to apply the provisions of VM-20 to establish the ceded policies' statutory reserves, but in no event later than January 1, 2020;

(2) Policies that become attained-age-based yearly renewable term life insurance policies that meet all of the following requirements:

(A) After an initial period of coverage, but not during the initial period of coverage, if the initial period of coverage:

(i) Is constant for all insureds of the same sex, risk class and plan of insurance; or

(ii) Runs to a common attained age for all insureds of the same sex, risk class and plan of insurance; and

(B) After the initial period of coverage the policy conforms with the definition of attained-age-based yearly renewable term life insurance policies; and which are issued before the latter of:

- (i) The effective date of this section; or
- (ii) The date on which the ceding insurer begins to apply the provisions of VM-20 to establish the ceded policies' statutory reserves, but in no event later than January 1, 2020;
- (3) Portions of policies in which only mortality risk is reinsured; and which are issued before the later of:
 - (A) The effective date of this section; or
 - (B) The date on which the ceding insurer begins to apply the provisions of VM-20 to establish the ceded policies' statutory reserves, but in no event later than January 1, 2020;
- (4) Any universal life policy that meets all of the following requirements:
 - (A) The secondary guarantee period, if any, is five (5) years or less;
 - (B) The specified premium for the secondary guarantee period is not less than the net level reserve premium for the secondary guarantee period based on the 1980 Commissioner's Standard Ordinary valuation mortality table and valuation interest rate applicable to the issue year of the policy; and
 - (C) The initial surrender charge is not less than one hundred percent (100%) of the first year annualized specified premium for the secondary guarantee period;
- (5) Credit life insurance;
- (6) Any variable life insurance policy that provides for life insurance, the amount or duration of which varies according to the investment experience of any separate account or accounts; or
- (7) Any group life insurance certificate unless the certificate provides for a stated or implied schedule of maximum gross premiums required in order to continue coverage in force for a period in excess of one (1) year;
- (b) Reinsurance ceded to an assuming insurer that meets the applicable requirements of section 38a-85(e) of the Connecticut General Statutes;
- (c) Reinsurance ceded to an assuming insurer that meets the applicable requirements of subsection (a), (b), (c) or (d) of section 38a-85 of the Connecticut General Statutes, and that, in addition:
 - (1) Prepares statutory financial statements in compliance with the NAIC Accounting Practices and Procedures Manual, without any departures from NAIC statutory accounting practices and procedures pertaining to the admissibility or valuation of assets or liabilities that increase the assuming insurer's reported surplus and are material enough that they need to be disclosed in the financial statement of the assuming insurer pursuant to Statement of Statutory Accounting Principles No. 1; and
 - (2) Is not in a Company Action Level Event, Regulatory Action Level Event, Authorized Control Level Event or Mandatory Control Level Event, as those terms are defined in sections 38a-72-1 to 38a-72-13, inclusive, of the Regulations of Connecticut State Agencies, when its risk-based capital is calculated in accordance with the life risk-based capital report including overview and instructions for companies, as the same may be amended by the NAIC from time to time, without deviation;
- (d) Reinsurance ceded to an assuming insurer that meets the applicable requirements of subsection (b), (c) or (d) of section 38a-85 of the Connecticut General Statutes, and that, in addition:
 - (1) Is not an affiliate, as that term is defined in subsection (b)(1) of section 38a-129 of the Connecticut General Statutes, of:
 - (A) The insurer ceding the business to the assuming insurer; or
 - (B) Any insurer that directly or indirectly ceded the business to that ceding insurer;
 - (2) Prepares statutory financial statements in compliance with the NAIC Accounting Practices and Procedures Manual;
 - (3) Is both:
 - (A) Licensed or accredited in at least ten (10) states (including its state of domicile); and
 - (B) Not licensed in any state as a captive, special purpose vehicle, special purpose financial captive, special purpose life reinsurance company, limited purpose subsidiary or any other similar

licensing regime; and

(4) Is not, or would not be, below five hundred percent (500%) of the Authorized Control Level RBC as that term is defined in sections 38a-72-1 to 38a-72-13, inclusive, of the Regulations of Connecticut State Agencies when its risk-based capital is calculated in accordance with the life risk-based capital including overview and instructions for companies, as the same may be amended by the NAIC from time to time, without deviation, and without recognition of any departures from NAIC statutory accounting practices and procedures pertaining to the admission or valuation of assets or liabilities that increase the assuming insurer's reported surplus;

(e) Reinsurance ceded to an assuming insurer if:

(1) The assuming insurer is certified in this state; or

(2) The assuming insurer maintains at least \$250,000,000 in capital and surplus determined in accordance with the NAIC Accounting Practices and Procedures Manual, excluding the impact of permitted or prescribed practices, and is:

(A) Licensed in at least twenty-six (26) states; or

(B) Licensed in at least ten (10) states and licensed or accredited in a total of at least thirty-five (35) states; or

(f) Reinsurance not otherwise exempt under subsections (a) through (e), inclusive, of this section if the Commissioner, after consulting with the NAIC Financial Analysis Working Group (FAWG) or other group of regulators designated by the NAIC, as applicable, determines under all the facts and circumstances that all of the following apply:

(1) The risks are clearly outside of the intent and purpose of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies (as that intent and purpose is described in section 38a-88-13 of the Regulations of Connecticut State Agencies);

(2) The risks are included within the scope of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies only as a technicality; and

(3) The application of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies to those risks is not necessary to provide appropriate protection to policyholders. The Commissioner shall disclose any decision made pursuant to this subsection to exempt a reinsurance contract from sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies, as well as the general basis therefore (including a summary description of the contract).

(NEW) Sec. 38a-88-18. Prohibition Against Avoidance

No insurer that has covered policies as to which sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies apply (as set forth in section 38a-88-13 of the Regulations of Connecticut State Agencies) shall take any action or series of actions, or enter into any transaction or arrangement or series of transactions or arrangements if the purpose of such action, transaction or arrangement or series thereof is to avoid the requirements of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies, or to circumvent the purpose and intent of said sections, as set forth in section 38a-88-13 of the Regulations of Connecticut State Agencies.

(NEW) Sec. 38a-88-19. Severability

If any provision of sections 38a-88-13 to 38a-88-19, inclusive, of the Regulations of Connecticut State Agencies or the applicability thereof to any person or circumstance is held to be invalid, the remainder of said sections or the applicability of such provisions to other persons or circumstances shall not be affected thereby.

R-39 Rev. 02/2012

Statement of Purpose

This proposed new regulation adopts the National Association of Insurance Commissioners Term and Universal Life Insurance Reserve Financing Model Regulation. The purpose of the regulation is to establish uniform, national standards governing reserve financing arrangements pertaining to life insurance policies containing guaranteed nonlevel gross premiums, guaranteed nonlevel benefits and universal life insurance policies with secondary guarantees; and to ensure that, with respect to each such financing arrangement, high quality assets consisting of Primary Security, as defined in the regulation, are held by or on behalf of ceding insurers in the forms and amounts required in the regulation.

No other laws or regulations will be affected by this regulation and the regulation relates to requirements of insurance companies that are not small businesses.

IMPORTANT NOTICE FOR CONNECTICUT STATE AGENCIES

This form is to be used for proposed permanent and technical amendment regulations only and must be completed in full.

AGENCY CERTIFICATION**Insurance Department**

Proposed Regulation Concerning

Term and Universal Life Insurance Reserve Financing

eRegulations System Tracking Number PR2018-005

I hereby certify the following:

(1) The above-referenced **regulation** is proposed pursuant to the following statutory authority or authorities: **CGS Sections 38a-88**

For technical amendment regulations proposed without a comment period, complete #2 below, then skip to #8.

(2) As permitted by Section 4-168(h) of the *Connecticut General Statutes*, the agency elected to proceed without prior notice or hearing and posted the text of the proposed technical amendment regulation on eRegulations System website on _____.

For all other non-emergency proposed regulations, complete #3 - #7 below, then complete #8)

(3) The agency posted notice of intent with a specified comment period of not less than 30 days to the eRegulations System website on **July 22, 2019**.

(4) *(Complete one)* No public hearing held or was required to be held. **OR** One or more public hearings were held on: _____.

(5) The agency posted notice of decision to move forward with the proposed regulation to the eRegulations System website on **August 27, 2019**.

(6) *(Complete one)* No comments were received. **OR** Comments were received and the agency posted the statements specified in subdivisions (2) and (3) of CGS Section 4-168(e) to the eRegulations System website on **<<select and enter date>>**.

(7) The final wording of the proposed regulation was posted to the eRegulations System website on **July 22, 2019**.

(8) Subsequent to approval for legal sufficiency by the Attorney General and approval by the Legislative Regulation Review Committee, **the final regulation shall be effective**

(Check one and complete as applicable)

When posted to the eRegulations System website by the Secretary of the State.

OR On _____

(Date must be a specific calendar date not less than 11 days after submission to the Secretary of the State)

SIGNED

*(Head of Board, Agency or Commission,
or duly authorized deputy)*

Insurance Commissioner
OFFICIAL TITLE

08/27/2019
DATE

**OFFICE OF THE ATTORNEY GENERAL
REGULATION CERTIFICATION**

Agency: Connecticut Insurance Department

REGULATION NUMBER PR2018-005

This Regulation is hereby APPROVED by the Attorney General as to legal sufficiency in accordance with Connecticut General Statutes Section 4-169.

DATE: 8/28/2019

Signed:



***Joseph Rubin, Assistant Deputy Attorney General
Duly Authorized***

The Connecticut General Assembly

Legislative Regulation Review Committee

Senator Craig Miner
Senate Chair



Representative Susan Johnson
House Chair

Official Record of Committee Action

October 22, 2019

Agency: Insurance Department
Description: Term and Universal Life Insurance Reserve Financing
LRRC Regulation Number: 2019-024
eRegulation Tracking Number: PR2018-005

The above-referenced regulation has been

Approved with Technical Corrections

by the Legislative Regulation Review Committee in accordance
with CGS Section 4-170.

Kirstin L. Breiner
Committee Administrator



State of Connecticut
Office of the Secretary of the State

Confirmation of Electronic Submission

Re: Regulation of the Insurance Department concerning Term and Universal Life
Insurance Reserve Financing
eRegulations System Tracking Number PR2018-005
Legislative Regulation Review Committee Docket Number 2019-024

The above-referenced regulation was electronically submitted to the Office of the Secretary of the State in accordance with Connecticut General Statutes Section 4-172 on October 29, 2019.

Said regulation is assigned Secretary of the State File Number 6307.

The effective date of this regulation is November 6, 2019.

A handwritten signature in black ink that reads "Denise W. Merrill".

Denise W. Merrill
Secretary of the State
November 6, 2019

By:

/s/ Kristin M. Karr

Kristin M. Karr
Administrative Law
Information Systems Manager