

**NEW YORK STATE  
DEPARTMENT OF FINANCIAL SERVICES  
FIRST AMENDMENT TO 11 NYCRR 103  
(INSURANCE REGULATION 213)**

**PRINCIPLE-BASED RESERVING**

I, Linda A. Lacewell, Superintendent of Financial Services, pursuant to the authority granted by Sections 201, 202, 301 and 302 of the Financial Services Law and Sections 301, 4217, and 4517 of the Insurance Law, do hereby promulgate the First Amendment to Part 103 of Title 11 of the Official Compilation of Codes, Rules, and Regulations of the State of New York (Insurance Regulation 213), to take effect upon publication of the Notice of Adoption in the State Register, to read as follows:

**(New Matter is Underscored; Matter in Brackets is Deleted)**

**Section 103.1 is renumbered as section 103.2 and amended to read as follows:**

(a) This Part shall apply to all life insurance companies and fraternal benefit societies doing business in this State and all insurers holding a certificate of recognition as an accredited reinsurer of life insurance, annuity contracts, or accident and health insurance.

(b) This [part] Part shall apply to individual and group life insurance policies, [and] annuity contracts, and accident and health insurance contracts issued on or after the [operative date of the valuation manual as prescribed by the superintendent by regulation] relevant dates specified in the applicable sections of this Part.

**Section 103.2 is renumbered as section 103.3 and amended to read as follows:**

(a) The superintendent may require a life insurance company to change an assumption or method that in the superintendent's opinion is necessary to comply with the requirements of the valuation manual or Insurance Law section 4217(g), and the life insurance company shall adjust the reserves as required by the superintendent. The superintendent may take other disciplinary action as permitted by the Insurance Law, Financial Services Law, and any other applicable laws and regulations.

(b) For purposes of this Part, *valuation manual* shall have the meaning set forth in Insurance Law section 4217(g)(5).<sup>2</sup>

(c) Except where the valuation manual conflicts with any provision of the Insurance Law or this Title, the valuation manual is adopted in its entirety, subject to the effective dates and other requirements specified in the applicable sections of this Part that deviate from the valuation manual.

**(All Matter Hereinafter Is New)**

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<sup>1</sup> The [2018] 2019 Valuation Manual, published by the National Association of Insurance Commissioners, is hereby incorporated by reference in this Part. The [2018] 2019 Valuation Manual is readily available without charge at the following internet address: [[https://www.naic.org/documents/prod\\_serv\\_2018\\_valuation\\_manual.pdf](https://www.naic.org/documents/prod_serv_2018_valuation_manual.pdf).] [https://www.naic.org/pbr\\_data.htm](https://www.naic.org/pbr_data.htm). The [2018] 2019 Valuation Manual is also available for public inspection and copying at the New York State Department of Financial Services, One State Street, New York, NY 10004.

**A new section 103.1 is added to read as follows:**

**§ 103.1 Purpose.**

The purposes of this Part are to:

(a) adopt the valuation manual and exercise the superintendent's authority, pursuant to Insurance Law section 4217(g), to deviate, through regulation, from the reserve standards, valuation methods, assumptions, and related requirements in the valuation manual; and

(b) prescribe rules for valuing statutory reserves subject to the requirements of the valuation manual.

**New sections 103.4 through 103.8 are added to read as follows:**

**§ 103.4 Valuation of individual term life insurance reserves.**

(a) Scope. This section applies to all individual term life insurance policies, whether directly written or assumed through reinsurance, issued on or after January 1, 2019.

(b) An insurer may elect to apply the minimum reserve standards in subdivision (c) of this section for policies issued on or after January 1, 2019 and prior to January 1, 2020, provided such standards are applied to all policies issued on or after the date elected.

(c) The minimum aggregate reserve, where the level of aggregation is defined by Section 2.A of VM-20 of the valuation manual, for term life insurance policies issued on or after January 1, 2020 shall be the greater of:

(1) the sum of the greater of the cash surrender value and 70% of the minimum reserve calculated in accordance with the methodology and assumptions prescribed by Insurance Law section 4217(a) through (f), Part 98 (Insurance Regulation 147) of this Title, Part 100 (Insurance Regulation 179) of this Title, and any other applicable regulations, determined for each policy on a seriatim basis; and

(2) the minimum aggregate reserve calculated in accordance with the methodology and assumptions prescribed by the valuation manual prior to reflecting any reinsurance ceded.

(d) An insurer may submit a request to the superintendent to delay the implementation of the minimum valuation standards of subdivision (c) of this section, such that the minimum valuation standards shall be effective for policies issued on or after January 1, 2021, upon a demonstration of undue hardship, impracticability, or good cause, subject to the superintendent's approval.

**§ 103.5 Valuation of payout annuity reserves.**

(a) Scope.

(1) This section applies to the following, whether group or individual, including both life contingent and term certain only contracts, directly written or assumed through reinsurance, with the exception of benefits arising from variable annuities:

(i) immediate annuity contracts issued on or after January 1, 2019;

(ii) deferred income annuity contracts issued on or after January 1, 2019;

(iii) structured settlements in payout or deferred status issued on or after January 1, 2019;

(iv) fixed payout annuities resulting from the exercise of settlement options or annuitizations of host contracts issued on or after January 1, 2019;

(v) supplementary contracts, excluding contracts with no scheduled payments (such as retained asset accounts and settlements at interest), issued on or after January 1, 2019;

(vi) fixed income payment streams attributable to guaranteed living benefits associated with deferred annuity contracts issued on or after January 1, 2019, once the contract funds are exhausted; and

(vii) certificates with premium determination dates on or after January 1, 2019, under non-variable group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuity contracts under Internal Revenue Code section 408.

(b) Definitions.

For the purpose of this section:

(1) *Jumbo contract* means a contract with an initial consideration equal to or greater than \$250 million, or each contract belonging to a group of contracts issued by an insurer to the same contract holder within 90 days of each other with aggregate considerations equal to or greater than \$250 million.

(2) *Non-jumbo contract* means a contract other than a jumbo contract.

(3) *Premium determination date* means the date as of which the valuation interest rate for a policy, contract, certificate, or benefit subject to this section being valued is determined.

The following table specifies the decision rules for setting the premium determination date for each policy, contract, certificate, and benefit subject to this section:

<b>Section 103.5(a)(1)</b>	<b>Description</b>	<b>Premium determination date</b>
(i)	Immediate annuity	Date consideration is determined and committed to by contract holder
(ii)	Deferred income annuity	Date consideration is determined and committed to by contract holder
(iii)	Structured settlements	Date consideration is determined and committed to by contract holder
(iv)	Fixed payout annuities resulting from settlement options or annuitizations from host contracts	Date consideration for benefit is determined and committed to by contract holder
(v)	Supplementary contracts	Date of issue of supplementary contract
(vi)	Fixed income payment streams from guaranteed living benefits	Date on which account value becomes 0
(vii)	Group annuity contracts and certificates	Date consideration is determined and committed to by contract holder

(c) Maximum valuation interest rates.

(1) For the policies, contracts, certificates, and benefits set forth in subdivision (a)(1)(iv) through (vi) of this section, an insurer may apply the same maximum valuation interest rate applicable to the base contract to value the payment stream if the insurer obtains the superintendent's prior approval. In order to obtain the superintendent's prior approval, the insurer shall demonstrate to the superintendent that its investment policy and practices are consistent with this paragraph.

(2) For the policies, contracts, certificates, and benefits subject to this section with premium determination dates on or after January 1, 2019 and prior to January 1, 2020, an insurer shall select one of the methods set forth in subparagraph (i), (ii) or (iii) of this paragraph to determine the maximum valuation interest rate:

(i) the maximum valuation interest rate determined in accordance with the methodology and assumptions prescribed by Insurance Law section 4217(c) and any applicable regulations;

(ii) the maximum valuation interest rate determined in accordance with the methodology and assumptions prescribed by Insurance Law section 4217(c) and any applicable regulations, with the following adjustments:

(a) for jumbo contracts, the maximum valuation interest rate shall be determined on a monthly basis, where the reference interest rate as defined in Insurance Law section 4217(c)(4)(F) shall equal the Moody's Corporate Bond Yield Average – Monthly Average Corporates, as published by Moody's Investors Service, Inc., for the month preceding the premium determination date; and

(b) for non-jumbo contracts, the maximum valuation interest rate shall be determined on a quarterly basis, where the reference interest rate as defined in Insurance Law section 4217(c)(4)(F) shall equal the average over a period of three months, ending on either March 31, June 30, September 30, or December 31, of Moody's Corporate Bond Yield Average – Monthly Average Corporates, as published by Moody's Investors Service, Inc., for the calendar year quarter preceding the premium determination date; or

(iii) the maximum valuation interest rate determined in accordance with paragraph (3)(i) of this subdivision.

(3) For the policies, contracts, certificates, and benefits subject to this section with premium determination dates on or after January 1, 2020, the maximum valuation interest rate shall be the lesser of the rates determined in accordance with subparagraph (i) and (ii) of this paragraph.

(i) Modified maximum valuation interest rate.

(a) The modified maximum valuation interest rate for non-jumbo contracts shall equal (1) less (2), where:

(1) is the valuation interest rate determined in accordance with the methodology and assumptions prescribed by the valuation manual; and

(2) is the greater of zero and (i) less (ii) rounded down to the nearest 25 basis points, where:

(i) is the valuation interest rate determined in accordance with the methodology and assumptions prescribed by the valuation manual prior to rounding the valuation interest rate to the nearest 25 basis points; and

(ii) is the unrounded valuation interest rate determined in accordance with the methodology and assumptions prescribed by the valuation manual, except for the following:

(A) the prescribed portfolio credit quality distribution as defined in Section 2.I of VM-22 of the valuation manual shall mean the following credit rating distribution:

(I) 5.0% Treasuries;

(II) 45.0% Aa bonds (15.0% Aa1, 15.0% Aa2, 15.0% Aa3); and

(III) 50.0% A bonds (50.0%/3 A1, 50.0%/3 A2, 50.0%/3 A3); and

(B) the individual spreads constituting the Table X spreads as defined in Section 2.F of VM-22 of the valuation manual shall each be no greater than 200 basis points.

(b) The modified maximum valuation interest rate for jumbo contracts shall equal the lesser of (1) and (2), where:

(1) is the Daily Valuation Rate defined by Section 3.C.5 of VM-22 of the valuation manual, where the quarterly valuation rate, denoted by  $I_q$ , is determined in accordance with clause (a) of this subparagraph for the calendar quarter preceding the business day immediately preceding the premium determination date;

(2) is the maximum daily valuation rate defined as  $R_{d-1} + 1.90\% - D - E$ , where:

(i)  $R_{d-1}$  is the daily reference rate for the business day immediately preceding the premium determination date. The daily reference rate for each Valuation Rate Bucket, defined by Section 3.A of VM-22 of the valuation manual, is calculated as the weighted average of the daily Treasury rates immediately preceding the premium determination date for two-year, five-year, 10-year and 30-year U.S. Treasuries using Table 1 weights as determined in accordance with Section 3.I of VM-22 of the valuation manual effective for the calendar year in which the premium determination date falls;

(ii) D is the default cost rate determined in accordance with Section 3.F of VM-22 of the valuation manual and based on the portfolio credit quality distribution defined in clause (a)(2)(ii)(A) of this subparagraph effective for the calendar year quarter in which the premium determination date falls; and

(iii) E is the spread deduction defined as 0.25%; and

(ii) the maximum valuation interest rate determined in accordance with the methodology and assumptions prescribed by the valuation manual.

(d) The minimum reserve for the policies, contracts, certificates, and benefits subject to this section with premium determination dates on or after January 1, 2019 shall be the greater of:

(1) the minimum reserve calculated in accordance with the methodology and assumptions prescribed by Insurance Law section 4217(a) through (f), Part 99 (Insurance Regulation 151) of this Title, and any other applicable regulations, except that the maximum valuation interest rate shall be determined in accordance with subdivision (c) of this section; and

(2) the minimum reserve calculated in accordance with the methodology and assumptions prescribed by the valuation manual prior to reflecting any reinsurance ceded.

### § 103.6 Valuation of variable annuity reserves.

(a) Scope.

(1) This section applies to the following categories of insurance policies and annuity contracts, whether directly written or assumed through reinsurance:

(i) variable deferred annuity contracts, regardless of whether such contracts contain GMDBs or VAGLBs;

(ii) variable immediate annuity contracts, regardless of whether such contracts contain GMDBs or VAGLBs;

(iii) individual and group annuity contracts with guarantees similar in nature to GMDBs, VAGLBs, or any combination thereof; and

(iv) all other insurance policies or annuity contracts that contain guarantees similar in nature to GMDBs or VAGLBs, even if the insurer does not offer the mutual funds or variable funds to which these guarantees relate, where there is no other explicit reserve requirement. If an insurer offers such a guarantee as part of an insurance policy or annuity contract that has an explicit reserve requirement and that guarantee does not currently have an explicit reserve requirement, then the minimum reserve held for the insurance policy or annuity contract shall equal the sum of:

(a) the reserve for the guarantee where for purposes of the reserve calculation, the guarantee is treated as a separate contract; and

(b) the reserve for the underlying insurance policy or annuity contract determined according to the explicit reserve requirement.

(b) Effective dates and minimum valuation standards.

(1) This section is effective for all valuations on or after January 1, 2020, regardless of when the insurance policies and annuity contracts were issued.

(2) For insurance policies and annuity contracts issued prior to January 1, 2020:

(i) The minimum reserve shall be the greater of:

(a) the minimum reserve calculated in accordance with the methodology and assumptions prescribed by subdivision (d) of this section; and

(b) the minimum reserve calculated in accordance with the methodology and assumptions prescribed by the valuation manual prior to reflecting any reinsurance ceded.

(ii) At the insurer's election, any positive amount equal to the excess of the sum of the minimum reserves determined in accordance with subparagraph (i)(a) of this paragraph over the greater of the aggregate minimum reserves determined in accordance with the 2017 Actuarial Guideline XLIII and the aggregate minimum reserves determined in accordance with the valuation manual may be established

over a three-year period beginning on January 1, 2020. To comply with the requirements of this paragraph, such excess reserve amount shall be calculated each year and established in the following manner:

(a) one-third of the excess reserve amount shall be established by December 31, 2020;

(b) two-thirds of the excess reserve amount shall be established by December 31, 2021; and

(c) the entire minimum reserve determined in accordance with subparagraph (i) of this paragraph shall be established by December 31, 2022.

(3) The minimum reserve for insurance policies and annuity contracts issued on or after January 1, 2020 shall be the greater of:

(i) the minimum reserve calculated in accordance with the methodology and assumptions prescribed by subdivision (e) of this section; and

(ii) the minimum reserve calculated in accordance with the methodology and assumptions prescribed by the valuation manual prior to reflecting any reinsurance ceded.

(c) Definitions.

For the purpose of this section:

(1) *2012 IAR Table* means the cohort mortality table containing rates,  $q_x^{2012+n}$ , derived from a combination of rates from the 2012 IAM Period Table and Projection Scale G2, using the methodology specified in section 99.10(i)(3)(iii) of this Title.

(2) *2012 Individual Annuity Mortality Period Life (2012 IAM Period) Table* means the period table containing mortality rates for calendar year 2012 containing rates,  $q_x^{2012}$ , as specified in section 99.10(i)(3)(i) of this Title.

(3) *2012 Individual Annuity Mortality Basic (2012 IAM Basic) Table* means the basic period table containing mortality rates for calendar year 2012 containing rates,  $q_x^{2012}$ , as specified in subdivision (f)(1) of this section.

(4) *2017 Actuarial Guideline XLIII* means the version of Actuarial Guideline XLIII – CARVM for Variable Annuities published by the National Association of Insurance Commissioners in the Accounting Practices and Procedures Manual as of March 2017.

(5) *Cash surrender value* means the amount available to the annuity contract holder upon surrender of the annuity contract, reflecting all applicable market value adjustments where the underlying assets are reported at market value.

(6) *Cohort mortality table* means a mortality table containing a set of mortality rates that decrease for a given age from one year to the next year and is based on a combination of a period table and a projection scale that contains rates of mortality improvement.

(7) *Constant maturity treasury or CMT* means the nominal yields on actively traded non-inflation-indexed issues adjusted to constant maturities, as released daily by the Federal Reserve Board.

(8) *Factor Table F* means the table of factors,  $F_x$ , varying by attained age for variable annuity contracts with guaranteed living benefits and for all other contracts, as specified in subdivision (f)(2) of this section.

(9) *Guaranteed minimum accumulation benefit or GMAB* means a guaranteed benefit providing, or resulting in, an amount payable on the contractually determined maturity date of the benefit that will be increased or will be at least a minimum amount, where such guarantees have the potential to produce a contractual total amount payable on benefit maturity that exceeds the account value, or in the case of an annuity providing income payments, an amount payable on benefit maturity other than continuation of any guaranteed income payments.

(10) *Guaranteed minimum death benefit or GMDB* means a guaranteed benefit providing, or resulting in, an amount payable on the death of a contract holder, annuitant, participant, or insured that will be increased or will be at least a minimum amount, where such guarantees have the potential to produce a contractual total amount payable on death that exceeds the account value, or in the case of an annuity providing income payments, an amount payable on death other than continuation of any guaranteed income payments, or where such guarantees are based on a portion of the excess of the account value over the net of premiums paid less partial withdrawals made.

(11) *Guaranteed minimum income benefit or GMIB* means a VAGLB for which the benefit is contingent on annuitization of a variable deferred annuity or similar contract, where the benefit may be expressed as a contract holder option, on one or more option dates, to have a minimum amount applied to provide periodic income using a specified purchase basis.

(12) *Guaranteed minimum withdrawal benefit or GMWB* means a VAGLB providing, or resulting in, an amount withdrawable by the contract holder each year that will at least be a minimum amount until the benefit amount depletes or until a contractually specified event occurs, provided that the contract holder does not exceed a maximum withdrawal amount in preceding years.

(13) *Guaranteed payout annuity floor or GPAF* means a VAGLB guaranteeing that one or more of the periodic payments under a variable immediate annuity will not be less than a minimum amount.

(14) *Period table* means a table of mortality rates applicable to a given calendar year.

(15) *Projection frequency* means the time step used for the projections pursuant to this section, where such time step is no less frequent than annually.

(16) *Projection scale* means a table of annual rates of mortality improvement by age, to be used for projecting future mortality rates.

(17) *Projection Scale G2* means the table of annual rates,  $G2_x$ , of mortality improvement by age for projecting future mortality rates beyond calendar year 2012, as specified in section 99.10(i)(3)(i) of this Title.

(18) *Revenue sharing* means any arrangement or understanding by which an entity responsible for providing investment or other types of services makes payments to the insurer that are attributable to charges or fees taken from the underlying variable funds or mutual funds supporting the contracts that fall under the scope of this section, where such payments may be made in exchange for administrative services provided by the insurer, such as marketing, distribution and recordkeeping.

(19) *Variable annuity guaranteed living benefit or VAGLB* means a guaranteed benefit providing, or resulting in, one or more guaranteed benefit amounts payable or accruing to a living contract holder or living annuitant, under contractually specified conditions, such as at the end of a specified waiting period, upon annuitization, or upon withdrawal of premium over a period of time, that will increase contractual benefits should the contract value referenced by the guarantee, (for example, account value) fall below a given level or fail to achieve certain performance levels, where such guarantees have the potential to provide benefits with a present value as of the benefit commencement date that exceeds the contract value referenced by the guarantee.

(d) Reserve methodology for insurance policies and annuity contracts issued prior to January 1, 2020.

(1) The minimum reserve for each annuity contract shall be determined in accordance with the methodology and assumptions of the standard scenario reserve prescribed by Appendix 3 of the 2017 Actuarial Guideline XLIII, except for the following:

(i) the mortality assumption for determining the Current Value as defined by section A3.3(C)(3) of the 2017 Actuarial Guideline XLIII shall be the 2012 IAM Basic Table, improved to December 31, 2017 using Projection Scale G2 but not applying any additional mortality improvement in the projection;

(ii) the amounts determined in section A3.3(B)(2)(b) of the 2017 Actuarial Guideline XLIII shall be discounted for survivorship as follows:

The mortality rate for a contract holder with age  $x$  in year  $(2012 + n)$  shall be calculated using the following formula, where  $q_x^{2012}$  denotes mortality from the 2012 IAM Basic Table,  $F_x$  denotes the appropriate factor from Factor Table F, and  $G2_x$  denotes mortality improvement from Projection Scale G2:

$$q_x^{2012+n} = q_x^{2012} (1 - G2_x)^n * F_x$$

(iii) the discount rate prescribed by section A3.3(C)(3) of the 2017 Actuarial Guideline XLIII shall equal the series of one-year U.S. Treasury forward rates implied by the U.S. Treasury yield curve as of the valuation date plus 100 basis points. Forward rates beyond 30 years shall equal the thirtieth year forward rate;

(iv) the discount rate as defined by section A3.1(B)(2) of the 2017 Actuarial Guideline XLIII shall equal the series of one-year U.S. Treasury forward rates implied by the U.S. Treasury yield curve as of the valuation date plus 150 basis points. Forward rates beyond 30 years shall equal the thirtieth year forward rate; and

(v) for all guaranteed living benefits that are in the money, the lapse rates prescribed by section A3.3(C)(3) of the 2017 Actuarial Guideline XLIII shall be 3% per annum for each projection interval where the benefit is less than 20% in the money, and 1.5% per annum for each projection interval where the benefit is 20% or more in the money.

(e) Reserve methodology for insurance policies and annuity contracts issued on or after January 1, 2020.

(1) The minimum reserve for each contract is the greater of the standard scenario reserve, the cash surrender value, and the option value floor.

(2) For each annuity contract, the standard scenario reserve is calculated as follows:

(i) for annuity contracts without any guaranteed benefits, the standard scenario reserve shall be determined by applying section 99.9 of Part 99 (Insurance Regulation 151) of this Title;

(ii) for all other annuity contracts, the standard scenario reserve shall equal the quantity *(a)* plus *(b)* minus *(c)*, where:

*(a)* is the amount determined by applying Part 99 (Insurance Regulation 151) of this Title to the annuity contract disregarding any GMDBs or VAGLBs;

*(b)* is the greater of zero and the greatest present value measured as of the end of each projection year of the negative of the accumulated net revenue described below using the assumptions described in paragraph (3) of this subdivision and discounted at the series of one-year U.S. Treasury forward rates implied by the U.S. Treasury yield curve as of the valuation date plus 100 basis points. Forward rates beyond 30 years shall equal the thirtieth year forward rate. The accumulated net revenue at the end of a projection year is equal to *(1)* plus *(2)* minus *(3)*, where:

*(1)* is the accumulated net revenue at the end of the prior projection year accumulated at the one-year U.S. Treasury forward rate implied by the U.S. Treasury yield curve as of the valuation date plus 100 basis points to the end of the current projection year; the accumulated net revenue at the beginning of the projection (i.e., time 0) is zero. Forward rates beyond 30 years shall equal the thirtieth year forward rate;

*(2)* are the margins generated during the projection year on account values accumulated at the one-year U.S. Treasury forward rate implied by the U.S. Treasury yield curve as of the valuation date plus 100 basis points to the end of the projection year. Such margins shall be determined in accordance with subparagraph (iii) of this paragraph. Forward rates beyond 30 years shall equal the thirtieth year forward rate; and

*(3)* are the contract benefits in excess of account values during the projection year accumulated at the one-year U.S. Treasury forward rate implied by the U.S. Treasury yield curve as of the valuation date plus 100 basis points to the end of the projection year. Forward rates beyond 30 years shall equal the thirtieth year forward rate; and

(c) is the contract's allocation of the value of hedges as described in paragraph (4) of this subdivision.

(iii) the margins generated on the account value shall be determined as follows:

(a) During the surrender charge amortization period, the margins shall equal:

(1) 0.20% of account value; plus

(2) any net revenue sharing income that is contractually guaranteed to the insurer and its liquidator, receiver, and statutory successor; plus

(3) for all guaranteed living benefits of a given contract combined, the greater of 0.20% of account value and the explicit and optional contract charges for guaranteed living benefits; plus

(4) for all guaranteed death benefits of a given contract combined, the greater of 0.20% of account value and the explicit and optional contract charges for guaranteed death benefits;

(b) After the surrender charge amortization period, the margins shall equal the amount determined in clause (a) of this subparagraph plus 50% of the excess, if any, of all contract charges, excluding net revenue sharing income, over the sum of clause (a)(1), (3), and (4) of this subparagraph. On fixed funds after the surrender charge period, a margin of up to the amount determined in clause (a) of this subparagraph plus 0.40% may be used;

(c) the surrender charge amortization period shall be calculated as follows:

(1) determine the length of time between the valuation date and the projected date where an ultimate event such as 100% surrender, 100% annuitization, or maturity occurs within the greatest present value stream required under paragraph (2)(ii)(a) of this subdivision;

(2) calculate the surrender charge not amortized under paragraph (2)(ii)(a) of this subdivision as the difference between the projected account value and the projected cash surrender value at the point in time of the ultimate event determined in subclause (1) of this clause. This value for a given contract shall not be less than zero; and

(3) the surrender charge amortization period is equal to the ratio of the amount determined in subclause (2) of this clause to the account value on the valuation date times 100 plus the length of time determined in subclause (1) of this clause. Such amount shall be rounded to the nearest number, taking into account the projection frequency. For example, if the amount produces a value of 2.15 and the projection frequency is quarterly, the surrender charge amortization period for the contract is 2.25; and

(iv) for annuity contracts with multiple guaranteed benefits, the minimum reserve shall be the greatest of the respective minimum reserves at the valuation date for each benefit disregarding all other guaranteed benefits.

(3) Assumptions used to calculate the accumulated net revenue in paragraph (2)(ii)(b) of this subdivision are as follows:

(i) account values shall be projected using the appropriate gross rates less all fund and contract charges according to the provisions of the funds and contract. The appropriate gross rates shall be those rates specified by subparagraphs (ii) and (iii) of this paragraph;

(ii) equity returns shall be projected under the following two scenarios:

(a) scenario 1 shall be an immediate drop of 20% followed by a 0% return the first year, and a return equal to 4.5% for the second year and thereafter; and

(b) scenario 2 shall be an immediate increase of 20% followed by a -30% return the first year, and a return equal to 4.5% for the second year and thereafter;

(iii) returns for asset classes other than equities shall be projected in conjunction with the equity returns projected in scenario 1 specified in subparagraph (ii)(a) of this paragraph and the equity returns projected in scenario 2 specified in subparagraph (ii)(b) of this paragraph according to the following gross rates:

(a) for bond fund returns, the gross rate shall be an immediate drop of 4.0% followed by the five-year U.S. Treasury bond rate plus 100 basis points for the first year and thereafter;

(b) for money market fund returns, the gross rate shall be the three-month U.S. Treasury bond rate;

(c) for balanced fund returns, the gross rate shall reflect the equity and bond allocations as of the valuation date and any expected asset rebalancing in the projection consistent with fund operations;

(d) for fixed account returns, the gross rate each year shall be the greater of the minimum rate guaranteed in the contract and 4.0%, but not greater than the current rates being credited to the fixed account funds on the valuation date;

(iv) the current value shall be used to determine the dynamic lapse assumption and partial withdrawals elected as guaranteed living benefits.

(a) The current value of the guaranteed benefit at the beginning of any projection interval shall be the greater of the amount of the current lump sum payment (if exercisable) or the present value of future lump sum or income payments. For the purpose of determining the present value, the discount rate shall be equal to the series of one-year U.S. Treasury forward rates implied by the U.S. Treasury yield curve as of the valuation date plus 100 basis points. Forward rates beyond 30 years shall equal the thirtieth year forward rate. If future living benefit payments are life contingent (i.e., either the right of future exercise or the right to future income benefits expires with the death of the annuitant or the owner), then the insurer shall determine the present value of such payments using the 2012 IAM Basic Table, improved to December 31, 2017 using Projection Scale G2 but not applying any additional mortality improvement in the projection.

(b) If a guaranteed living benefit is exercisable (withdrawal can start or, in the case of a GMWB, has begun) at the beginning of the projection interval, then the current value of the guaranteed living benefit shall be determined assuming immediate or continued exercise of that benefit.

(c) If a guaranteed living benefit is not exercisable, such as due to minimum age or duration requirements, at the beginning of that projection interval, then the current value of the guaranteed living benefit shall be determined assuming exercise of the guaranteed living benefit at the earliest possible future projection interval.

(d) Determination of the current value of a guaranteed living benefit that is exercisable or payable at a future projection interval shall take account of any guaranteed growth in the basis for the guarantee, such as where the basis grows according to an index or an interest rate.

(e) For a GMWB, the current value shall be determined assuming the earliest penalty-free withdrawal of guaranteed benefits after withdrawals begin and by applying the constraints of any applicable maximum or minimum withdrawal provisions.

(f) For an unexercised GMIB, the current value shall be determined assuming the option with a reserve closest to the reserve for a ten-year certain and life option; provided, however, that the current value of an unexercised GMIB shall be set equal to the account value if the contract holder can receive higher income payments on the assumed date of exercise by electing the same option under the normal settlement option provisions of the contract.

(g) For a GMDB that terminates at a certain age or in a certain policy year, the current value shall be calculated as if the GMDB does not terminate.

(h) For the purpose of applying the lapse assumptions and contract holder elections rates, the contract shall be considered out of the money for a projection interval if the current value of the guaranteed benefit at the beginning of the projection interval is less than or equal to the account value at the beginning of the same projection interval. If the current value of the guaranteed benefit at the beginning of the projection interval is greater than the account value also at the beginning of the projection interval, the contract shall be considered in the money and the percent in the money shall equal:

$$100 * ((\text{current value of the guaranteed benefit} / \text{Account Value}) - 1).$$

If a contract has multiple living benefit guarantees, then the guarantee having the largest current value shall be used to determine the percent in the money;

(v) The accumulated net revenue shall incorporate the following lapse rates applied as full contract surrenders based on the percent in the money determined in subparagraph (iv) of this paragraph:

(a) Guaranteed death benefits.

(1) For each projection interval during the surrender charge period, a lapse rate of 2.5% per annum shall be applied.

(2) For each projection interval after the surrender charge period for benefits that are:

(i) out of the money, a lapse rate of 10% per annum shall be applied; and

(ii) in the money, a lapse rate of 7% per annum shall be applied in every projection interval where the benefit is less than 20% in the money, and 3% per annum shall be applied in every projection interval where the benefit is 20% or more in the money.

(b) Guaranteed living benefits.

(1) For each projection interval during the surrender charge period where the benefit is out of the money, a lapse rate of 2.5% per annum shall be applied. For each projection interval after the surrender charge period where the benefit is out of the money, a lapse rate of 10% per annum shall be applied.

(2) For each projection interval where the benefit is in the money for:

(i) all guaranteed minimum accumulation benefits, a lapse rate of 0% shall be applied; and

(ii) all other benefits, a lapse rate of 2.5% per annum shall be applied in every projection interval where the living benefit is less than 20% in the money, and a lapse rate of 1% per annum shall be applied in every projection interval where the living benefit is 20% or more in the money;

(vi) The accumulated net revenue shall incorporate the following election rates:

(a) the contract holder election rate for any exercisable in the money guaranteed living benefit shall be zero if exercise would cause the extinction of a guaranteed living benefit having a larger current value;

(b) for guaranteed living benefits other than GMWBs and GMABs, contract holder election rates for exercisable in the money benefits shall be 5% per annum in every projection interval where the living benefit is less than 10% in the money, 15% per annum in every projection interval where the living benefit is 10% or more in the money and less than 20% in the money, and 25% per annum in every projection interval where the living benefit is more than 20% in the money. In addition, the election rate for an exercisable in the money guaranteed living benefit shall be 100% at the last duration to elect such benefit;

(c) for GMABs, an election rate of 100% shall be used at the point in time where the benefit has the highest current value;

(d) for GMWBs, contract holder election rates shall be determined as follows:

(1) calculate the current value for each potential age of initiating withdrawals (“initial withdrawal age”) until the end of the projection period or the contract holder reaches age 120, if sooner. For each of these current value calculations:

(i) the calculation shall assume that the contract holder takes no partial withdrawals until the initial withdrawal age;

(ii) with respect to the discount rate, the calculation shall disregard the instructions of subparagraph (iv)(a) of this paragraph and instead apply a discount rate of 3.0%; and

(iii) the current value for each initial withdrawal age shall be expressed in present value terms taking into account survival from issue to the initial withdrawal age, as well as time value of money during that period. For example, if the issue age is 55, then the current value for an initial withdrawal age of 60 shall take into account survival of the annuitant or owner to age 60 using the mortality table specified in subparagraph (iv)(a) of this paragraph and the time value of money from age 55 to age 60;

(2) calculate the adjusted current values by raising each of the current values to the second power and multiplying all the resultant values corresponding to initial withdrawal ages below 60 by 50%;

(3) the election rate for each projection interval shall equal the corresponding adjusted current value divided by the sum of the adjusted current values;

(4) for contracts that offer guaranteed growth in the benefit basis or one-time bonuses to the benefit basis, the election rates shall be adjusted as follows:

(i) add  $0.35 * (1 - \text{sum of the election rates from the issue age to initial withdrawal age})$  to the election rate corresponding to the initial withdrawal age that occurs immediately after the termination of the guaranteed growth or the one-time bonus. If there is more than one such initial withdrawal age, the addition shall be made to the initial withdrawal age with the higher current value; and

(ii) scale the remainder of the election rates at all future ages such that the sum of the revised values equals 1.00;

(5) for tax-qualified policies:

(i) add  $.50 * (1 - \text{sum of the election rates from the issue age to initial withdrawal age})$  to the election rate corresponding to an initial withdrawal age of 71; and

(ii) scale the remainder of the election rates at all future initial withdrawal ages such that the sum of the revised scaled current values equals 1.00;

(6) the calculations prescribed by this clause only shall need to be performed once for a given set of contracts with a certain issue age, guaranteed benefit product, and tax status; and

(7) the election rates on the valuation date shall be determined by discarding election rates determined for initial withdrawal ages less than the attained age on the valuation date and scaling the remaining election rates such that the sum of their re-scaled weights equals 1.00;

(e) Partial withdrawals that are elected as guaranteed living benefits, or required contractually, such as a contract operating under an automatic withdrawal provision on the valuation date, shall be deducted

from the account value in each projection interval consistent with the projection frequency used, and according to the terms of the contract;

(f) no other partial withdrawals, including free partial withdrawals, shall be deducted from the account value; and

(g) GMDBs shall not be benefits subject to election;

(vii)(a) No transfers between funds shall be assumed in the projection used to determine the accumulated net revenue unless required by the contract, such as transfers from a dollar cost averaging fund or contractual rights given to the insurer to implement a contractually specified portfolio insurance management strategy or a contract operating under an automatic re-balancing option. When transfers shall be modeled, to the extent not inconsistent with contract language, the allocation of transfers to funds shall be in proportion to the contract's current allocation to funds;

(b) Margins generated during a projection interval on funds supporting account value are transferred to the accumulated net revenue and are subsequently accumulated at the one-year U.S. Treasury forward rate implied by the U.S. Treasury yield curve as of the valuation date plus 100 basis points. Forward rates beyond 30 years shall equal the thirtieth year forward rate. Assets for each class supporting account values shall be reduced in proportion to the amount held in each asset class at the time of transfer of margins or any portion of account value applied to the payment of benefits; and

(c) Future deposits to account value shall not be assumed unless required by the terms of the contract to prevent contract or guaranteed benefit lapse, in which case they shall be modeled. When future deposits shall be modeled, to the extent not inconsistent with contract language, the allocation of the deposit to funds shall be in proportion to the contract's current allocation to such funds;

(viii) The amounts determined in paragraph (2)(ii)(b) of this subdivision shall be discounted for survivorship as follows:

(a) prior to election, the mortality rate for a contract holder with age  $x$  in year  $(2012 + n)$  shall be calculated using the following formula, where  $q_x^{2012}$  denotes mortality from the 2012 IAM Basic Table,  $F_x$  denotes the appropriate factor from Factor Table F, and  $G2_x$  denotes mortality improvement from Projection Scale G2:

$$q_x^{2012+n} = q_x^{2012} (1 - G2_x)^n * F_x ; \text{ and}$$

(b) after election, the mortality rates shall be determined using the 2012 IAR Table;

(ix) The projection used to determine the accumulated net revenue shall be calculated using an annual or more frequent time step, such as quarterly. For time steps more frequent than annual, assets supporting account values at the start of a year may be retained in such funds until year-end (i.e., margin earned during the year will earn the fund rates instead of the discount rate until year end) or removed after each time step. However, the same approach shall be applied for all years. Similarly, projected benefits, lapses, elections and other contract holder activity may be assumed to occur annually or at the end of each time step, but the approach shall be consistent for all years; and

(x) If an interest index is required to determine projected benefits, the index shall assume interest rates have not changed since the last reported rates before the valuation date. If an equity index is required, the index shall be consistent with the last reported index before the valuation date, the initial drop in equity returns and the subsequent equity returns in the standard scenario projection. The sources of information and how they are used to determine the indexes shall be documented and, to the extent possible, consistent from year-to-year.

(4) The value of approved hedges shall be calculated separately from the accumulated net revenue. The value of approved hedges shall be the difference between the discounted value at the one-year CMT as of the valuation date of the pre-tax cash flows from the approved hedges and their statement values on the valuation date.

(i) To be an approved hedge for purposes of the standard scenario reserve, a derivative or other investment shall be an actual asset held by the insurer on the valuation date, shall be used as a hedge supporting the contracts falling under the scope of this section, and shall comply with all applicable laws and regulations, including applicable documentation requirements, related to the use of derivative instruments.

(ii) The superintendent may require the exclusion of any portion of the value of approved hedges upon a finding that the insurer's documentation, controls, measurement, execution of strategy or historical results are not adequate to support a future expectation of risk reduction commensurate with the value of approved hedges.

(iii) The cash flow projection for approved hedges that expire in less than one year from the valuation date shall be based on holding the hedges to their expiration. For hedges with an expiration of more than one year, the value of hedges shall be based on liquidation of the hedges no more than two years from the valuation date. Where applicable, the liquidation value of hedges shall be consistent with the assumed returns in the standard scenario from the start of the projection to the date of liquidation, Black-Scholes pricing, a risk free rate equal to the five-year CMT as of the valuation date and the annual volatility implicit as of the valuation date in the statement value of the hedges when the statement value of hedges are valued with Black-Scholes pricing and a risk-free rate equal to the five-year CMT as of the valuation date.

(iv) There is no credit in the Standard Scenario Reserve for dynamic hedging beyond the credit that results from hedges actually held on the valuation date.

(v) The value of approved hedges shall be allocated to the contracts that are supported by the applicable approved hedges. A contract's allocation shall be the lesser of the amount in paragraph (2)(ii)(b) of this subdivision for the contract and the product of (a) and (b), where:

(a) is the sum of the value of the applicable approved hedges for all contracts supported by the same hedges; and

(b) is the ratio of the amount in paragraph (2)(ii)(b) of this subdivision for the contract to the sum of the amount in paragraph (2)(ii)(b) of this subdivision for all contracts supported by the same hedges.

(5) Option value floor.

(i) The option value floor shall be calculated on a seriatim basis with arbitrage-free interest rates and equity return paths with an equity volatility consistent with that currently observed in the market and assuming efficient contract holder behavior.

(ii) Each insurer subject to this subdivision shall file with the superintendent on or before March 1 of each year an actuarial report, in form and substance satisfactory to the superintendent and subject to appropriate actuarial standards of practice promulgated by the Actuarial Standards Board of the American Academy of Actuaries, describing the analysis, methodology, and assumptions applied in calculating the option value floor.

(6) The amount of the reserve held in the insurer's general account shall not be less than the excess, if any, of the minimum reserve over the amount determined under paragraph (2)(ii)(a) of this subdivision, attributable to the variable portion of all such contracts.

(f) Mortality and factor tables.

(1) The rates of mortality per 1,000 lives based on age nearest birthday for the 2012 IAM Basic Table are as follows:

2012 Individual Annuity Mortality Basic Table

Age (x)	MALE $q_x^{2012}$	FEMALE $q_x^{2012}$	Age (x)	MALE $q_x^{2012}$	FEMALE $q_x^{2012}$	Age (x)	MALE $q_x^{2012}$	FEMALE $q_x^{2012}$
0	1.783	1.801	41	1.029	0.667	82	46.957	36.122
1	0.446	0.450	42	1.110	0.723	83	52.713	41.477
2	0.306	0.287	43	1.188	0.774	84	59.148	47.589
3	0.254	0.199	44	1.268	0.823	85	66.505	54.441
4	0.193	0.152	45	1.355	0.866	86	75.015	61.972
5	0.186	0.139	46	1.464	0.917	87	84.823	70.155
6	0.184	0.130	47	1.615	0.983	88	95.987	78.963
7	0.177	0.122	48	1.808	1.072	89	108.482	88.336
8	0.159	0.105	49	2.032	1.168	90	122.214	98.197
9	0.143	0.098	50	2.285	1.290	91	136.799	108.323
10	0.126	0.094	51	2.557	1.453	92	152.409	119.188
11	0.123	0.096	52	2.828	1.622	93	169.078	131.334
12	0.147	0.105	53	3.088	1.792	94	186.882	145.521
13	0.188	0.120	54	3.345	1.972	95	205.844	162.722
14	0.236	0.146	55	3.616	2.166	96	219.247	182.120
15	0.282	0.174	56	3.922	2.393	97	238.612	199.661
16	0.325	0.199	57	4.272	2.666	98	258.341	217.946
17	0.364	0.220	58	4.681	3.000	99	278.219	236.834

18	0.399	0.234	59	5.146	3.393	100	298.452	256.357
19	0.430	0.245	60	5.662	3.844	101	323.610	283.802
20	0.459	0.253	61	6.237	4.352	102	344.191	304.716
21	0.492	0.260	62	6.854	4.899	103	364.633	325.819
22	0.526	0.266	63	7.510	5.482	104	384.783	346.936
23	0.569	0.272	64	8.220	6.118	105	400.000	367.898
24	0.616	0.275	65	9.007	6.829	106	400.000	387.607
25	0.669	0.277	66	9.497	7.279	107	400.000	400.000
26	0.728	0.284	67	10.085	7.821	108	400.000	400.000
27	0.764	0.290	68	10.787	8.475	109	400.000	400.000
28	0.789	0.300	69	11.625	9.234	110	400.000	400.000
29	0.808	0.313	70	12.619	10.083	111	400.000	400.000
30	0.824	0.333	71	13.798	11.011	112	400.000	400.000
31	0.834	0.357	72	15.195	12.030	113	400.000	400.000
32	0.838	0.375	73	16.834	13.154	114	400.000	400.000
33	0.828	0.390	74	18.733	14.415	115	400.000	400.000
34	0.808	0.405	75	20.905	15.869	116	400.000	400.000
35	0.789	0.424	76	23.367	17.555	117	400.000	400.000
36	0.783	0.447	77	26.155	19.500	118	400.000	400.000
37	0.800	0.476	78	29.306	21.758	119	400.000	400.000
38	0.837	0.514	79	32.858	24.412	120	400.000	400.000
39	0.889	0.560	80	36.927	27.579			
40	0.955	0.613	81	41.703	31.501			

(2) The factors,  $F_x$ , of Factor Table F are as follows.

Factor Table F

Attained Age (x)	$F_x$ for VA with GLB	$F_x$ for All Other
≤65	80.0%	100.0%
66	81.5%	102.0%
67	83.0%	104.0%
68	84.5%	106.0%
69	86.0%	108.0%
70	87.5%	110.0%
71	89.0%	112.0%
72	90.5%	114.0%
73	92.0%	116.0%
74	93.5%	118.0%
75	95.0%	120.0%
76	96.5%	119.0%
77	98.0%	118.0%

78	99.5%	117.0%
79	101.0%	116.0%
80	102.5%	115.0%
81	104.0%	114.0%
82	105.5%	113.0%
83	107.0%	112.0%
84	108.5%	111.0%
85	110.0%	110.0%
86	110.0%	110.0%
87	110.0%	110.0%
88	110.0%	110.0%
89	110.0%	110.0%
90	110.0%	110.0%
91	110.0%	110.0%
92	110.0%	110.0%
93	110.0%	110.0%
94	110.0%	110.0%
95	110.0%	110.0%
96	109.0%	109.0%
97	108.0%	108.0%
98	107.0%	107.0%
99	106.0%	106.0%
100	105.0%	105.0%
101	104.0%	104.0%
102	103.0%	103.0%
103	102.0%	102.0%
104	101.0%	101.0%
≥105	100.0%	100.0%

**§ 103.7 Valuation of all other reserves.**

(a) Scope. This section applies to all individual life insurance policies issued on or after January 1, 2020 and group life insurance policies, annuity contracts, and accident and health insurance contracts issued on or after January 1, 2021, for which sections 103.4, 103.5, and 103.6 of this Part do not apply.

(b) The minimum aggregate reserve, where the level of aggregation is defined by Section 2.A of VM-20 of the valuation manual, for individual life insurance policies issued on or after January 1, 2020 shall be the greater of:

(1) the sum of the minimum reserves calculated on a seriatim basis in accordance with the methodology and assumptions prescribed by Insurance Law section 4217(a) through (f), Part 98 (Insurance Regulation 147) of this Title, Part 100 (Insurance Regulation 179) of this Title, and any other applicable regulations; and

(2) the minimum aggregate reserve calculated in accordance with the methodology and assumptions prescribed by the valuation manual prior to reflecting any reinsurance ceded.

(c) The minimum reserve for each group life insurance certificate, annuity contract, and accident and health insurance contract issued on or after January 1, 2021 shall be the greater of:

(1) the minimum reserve calculated on a seriatim basis in accordance with the methodology and assumptions prescribed by Insurance Law section 4217(a) through (f) and any applicable regulations; and

(2) the minimum reserve calculated in accordance with the methodology and assumptions prescribed by the valuation manual prior to reflecting any reinsurance ceded.

(d) An insurer may submit a request to the superintendent to delay the implementation of the minimum valuation standards of subdivision (b) of this section, such that the minimum valuation standards shall be effective for policies issued on or after January 1, 2021, upon a demonstration of undue hardship, impracticability, or good cause, subject to the superintendent's approval.

### **§ 103.8 Reinsurance.**

(a) The minimum valuation standards specified by this Part are prior to reflecting any reinsurance ceded.

(b) A credit for reinsurance may be recognized for reinsurance agreements that comply with the Insurance Law and this Title, including Insurance Law section 1308, Part 79 (Insurance Regulation 133), Part 125 (Insurance Regulation 20), Part 126 (Insurance Regulation 114), Part 83 (Insurance Regulation 172), and Part 127 (Insurance Regulation 102) of this Title, and any other applicable regulations, as applicable.

(c) For each such reinsurance agreement, the credit for reinsurance shall be the difference between the reserve determined prior to reflecting such reinsurance and the reserve determined after reflecting such reinsurance, where the reserve after reflecting such reinsurance is calculated as follows:

(1) for individual term life insurance policies subject to section 103.4 of this Part, the greater of:

(i) the amount determined pursuant to section 103.4(c)(1) of this Part reduced by the credit for reinsurance determined pursuant to the Insurance Law and this Title, including Insurance Law section 1308, Part 79 (Insurance Regulation 133), Part 125 (Insurance Regulation 20), Part 126 (Insurance Regulation 114), Part 83 (Insurance Regulation 172), and Part 127 (Insurance Regulation 102) of this Title, and any other applicable regulations, as applicable; and

(ii) the minimum aggregate reserve after reflection of such reinsurance ceded calculated in accordance with the methodology and assumptions prescribed by the valuation manual;

(2) for the policies, contracts, certificates, and benefits subject to section 103.5 of this Part, the greater of:

(i) the amount determined pursuant to section 103.5(d)(1) of this Part reduced by the credit for reinsurance determined pursuant to the Insurance Law and this Title, including Insurance Law section

1308, Part 79 (Insurance Regulation 133), Part 125 (Insurance Regulation 20), Part 126 (Insurance Regulation 114), Part 83 (Insurance Regulation 172), and Part 127 (Insurance Regulation 102) of this Title, and any other applicable regulations, as applicable; and

(ii) the minimum aggregate reserve after reflection of such reinsurance ceded calculated in accordance with the methodology and assumptions prescribed by the valuation manual;

(3) for variable annuity contracts and policies subject to section 103.6 of this Part, the greater of:

(i) the amount determined in section 103.6(b)(2)(i)(a) or section 103.6(b)(3)(i) of this Part, as applicable, reduced by the credit for reinsurance determined pursuant to the Insurance Law and this Title, including Insurance Law section 1308, Part 79 (Insurance Regulation 133), Part 125 (Insurance Regulation 20), Part 126 (Insurance Regulation 114), Part 83 (Insurance Regulation 172), and Part 127 (Insurance Regulation 102) of this Title, and any other applicable regulations, as applicable; and

(ii) the minimum aggregate reserve after reflection of such reinsurance ceded calculated in accordance with the methodology and assumptions prescribed by the valuation manual;

(4) for all individual and group life insurance policies, annuity contracts, and accident and health insurance contracts subject to section 103.7 of this Part, the greater of:

(i) the amount determined in section 103.7(b)(1) or section 103.8(c)(1) of this Part, as applicable, reduced by the credit for reinsurance determined pursuant to the Insurance Law and this Title, including Insurance Law section 1308, Part 79 (Insurance Regulation 133), Part 125 (Insurance Regulation 20), Part 126 (Insurance Regulation 114), Part 83 (Insurance Regulation 172), and Part 127 (Insurance Regulation 102) of this Title, and any other applicable regulations, as applicable; and

(ii) the minimum aggregate reserve after reflection of such reinsurance ceded calculated in accordance with the methodology and assumptions prescribed by the valuation manual.



## Department of Financial Services

**ANDREW M. CUOMO**  
Governor

**LINDA A. LACEWELL**  
Superintendent

I, Linda A. Lacewell, Superintendent of Financial Services, do hereby certify that the foregoing is the First Amendment to Part 103 of the Official Compilation of Codes, Rules and Regulations of the State of New York (Insurance Regulation 213), entitled Principle-Based Reserving, signed by me on February 11, 2020 pursuant to the authority granted by Sections 201, 202, 301 and 302 of the Financial Services Law and Sections 301, 4217, and 4517 of the Insurance Law, to take effect upon publication of the Notice of Adoption in the State Register.

Pursuant to the provisions of the State Administrative Procedure Act, prior notice of the proposed rule was published in the New York State Register on October 30, 2019. No other publication or prior notice is required by statute.

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Linda A. Lacewell  
Superintendent of Financial Services

Date: February 11, 2020