

Senate Engrossed House Bill

life insurance; illustrations

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HOUSE BILL 2076

AN ACT

AMENDING TITLE 20, CHAPTER 2, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 5.1; AMENDING SECTION 20-1241, ARIZONA REVISED STATUTES; RELATING TO THE TRANSACTION OF INSURANCE BUSINESS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

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

4 ARTICLE 5.1. LIFE INSURANCE ILLUSTRATIONS

5 20-431. Definitions

6 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

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

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

13 3. "CONTRACT PREMIUM":

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

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

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

22 5. "DISCIPLINED CURRENT SCALE":

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

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

30 (i) ARE CONSISTENT WITH THIS ARTICLE.

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

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

36 (iv) DO NOT ALLOW ASSUMED EXPENSES TO BE LESS THAN THE MINIMUM
37 ASSUMED EXPENSES.

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

41 7. "GUARANTEED ELEMENTS" MEANS THE PREMIUMS, BENEFITS, VALUES,
42 CREDITS OR CHARGES UNDER A POLICY OF LIFE INSURANCE THAT ARE GUARANTEED
43 AND THAT ARE DETERMINED WHEN THE POLICY IS ISSUED.

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

4 (a) THE DISCIPLINED CURRENT SCALE.

5 (b) THE CURRENTLY PAYABLE SCALE.

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

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

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

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

22 13. "MINIMUM-ASSUMED EXPENSES" MEANS THE MINIMUM EXPENSES THAT MAY
23 BE USED IN CALCULATING THE DISCIPLINED CURRENT SCALE FOR A POLICY FORM AND
24 FOR WHICH THE INSURER MAY ANNUALLY DESIGNATE ONE OF THE FOLLOWING METHODS
25 TO DETERMINE ASSUMED EXPENSES FOR ALL POLICY FORMS:

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

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

30 (c) A GENERALLY RECOGNIZED EXPENSE TABLE BASED ON FULLY ALLOCATED
31 EXPENSES THAT REPRESENTS A SIGNIFICANT PORTION OF INSURANCE COMPANIES AND
32 THAT IS APPROVED BY THE DIRECTOR.

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

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

39 (a) THE EMPLOYER OR OTHER GROUP REPRESENTATIVE SELECTS EVERY PLAN
40 OF COVERAGE.

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

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

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

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

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

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

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

19 20-431.01. Applicability

20 A. THIS ARTICLE APPLIES TO ALL GROUP AND INDIVIDUAL LIFE INSURANCE
21 POLICIES AND CERTIFICATES EXCEPT:

- 22 1. VARIABLE LIFE INSURANCE.
- 23 2. INDIVIDUAL AND GROUP ANNUITY CONTRACTS.
- 24 3. CREDIT LIFE INSURANCE.
- 25 4. LIFE INSURANCE POLICIES WITH NO ILLUSTRATED DEATH BENEFITS ON
26 ANY INDIVIDUAL EXCEEDING \$10,000.

27 B. IF AN INSURER MARKETS A POLICY FORM WITH AN ILLUSTRATION THAT IS
28 SUBJECT TO THE REQUIREMENTS OF THIS ARTICLE, THE INSURER IS NOT REQUIRED
29 TO PROVIDE A POLICY SUMMARY TO THE APPLICANT OR THE POLICYOWNER AS
30 OTHERWISE REQUIRED PURSUANT TO ADMINISTRATIVE RULE.

31 20-431.02. Group and individual life insurance policy forms;
32 identification for illustrated

33 A. EACH INSURER THAT MARKETS POLICIES SHALL NOTIFY THE DIRECTOR
34 WHETHER A POLICY FORM WILL BE MARKETED WITH OR WITHOUT AN ILLUSTRATION.
35 FOR ALL POLICY FORMS THAT ARE ACTIVELY MARKETED ON JANUARY 1, 2026, THE
36 INSURER SHALL IDENTIFY THOSE POLICY FORMS AND WHETHER AN ILLUSTRATION WILL
37 BE USED. FOR ALL POLICY FORMS THAT ARE FILED AFTER JANUARY 1, 2026, THE
38 INSURER SHALL MAKE THIS IDENTIFICATION AT THE TIME OF FILING. AN INSURER
39 MAY CHANGE AN IDENTIFICATION BY PROVIDING NOTICE TO THE DIRECTOR.

40 B. IF THE INSURER IDENTIFIES A POLICY FORM AS ONE TO BE MARKETED
41 WITHOUT AN ILLUSTRATION, ANY USE OF AN ILLUSTRATION FOR ANY POLICY USING
42 THAT FORM BEFORE THE FIRST POLICY ANNIVERSARY IS PROHIBITED.

43 C. IF THE INSURER IDENTIFIES A POLICY FORM AS ONE TO BE MARKETED
44 WITH AN ILLUSTRATION, A BASIC ILLUSTRATION SHALL BE PREPARED AND DELIVERED
45 IN ACCORDANCE WITH THIS ARTICLE, EXCEPT THAT A BASIC ILLUSTRATION DOES NOT

1 NEED TO BE PROVIDED TO INDIVIDUAL MEMBERS OF A GROUP OR TO INDIVIDUALS WHO
2 ARE INSURED UNDER MULTIPLE LIVES COVERAGE THAT IS ISSUED TO A SINGLE
3 APPLICANT UNLESS THE COVERAGE IS MARKETING TO THESE INDIVIDUALS. FOR A
4 GROUP LIFE INSURANCE POLICY OR A POLICY ISSUED TO A SINGLE APPLICANT ON
5 MULTIPLE LIVES, THE INSURER MAY FURNISH EITHER AN INDIVIDUAL OR COMPOSITE
6 ILLUSTRATION REPRESENTING COVERAGE ON THE LIVES OF MEMBERS OF THE GROUP OR
7 THE MULTIPLE LIVES COVERED.

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

20 20-431.03. Life insurance policy illustrations; requirements;
21 prohibitions

22 A. AN ILLUSTRATION THAT IS USED IN THE SALE OF A LIFE INSURANCE
23 POLICY SHALL BE CLEARLY LABELED LIFE INSURANCE ILLUSTRATION AND SHALL
24 CONTAIN ALL OF THE FOLLOWING:

- 25 1. THE NAME OF THE INSURER THAT ISSUED THE POLICY.
- 26 2. THE NAME AND BUSINESS ADDRESS OF THE PRODUCER OR THE INSURER'S
27 AUTHORIZED REPRESENTATIVE, IF ANY.
- 28 3. THE NAME, AGE AND SEX OF THE PROPOSED INSURED, UNLESS A
29 COMPOSITE ILLUSTRATION IS ALLOWED UNDER THIS ARTICLE.
- 30 4. THE UNDERWRITING OR RATING CLASSIFICATION ON WHICH THE
31 ILLUSTRATION IS BASED.
- 32 5. THE GENERIC NAME OF THE POLICY, THE COMPANY PRODUCT NAME, IF
33 DIFFERENT FROM THE GENERIC NAME OF THE POLICY, AND THE FORM NUMBER.
- 34 6. THE INITIAL DEATH BENEFIT.
- 35 7. DIVIDEND OPTION ELECTION OR APPLICATION OF NONGUARANTEED
36 ELEMENTS, IF APPLICABLE.

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

- 40 1. REPRESENT THE POLICY AS ANYTHING OTHER THAN A LIFE INSURANCE
41 POLICY.
- 42 2. USE OR DESCRIBE NONGUARANTEED ELEMENTS IN A MANNER THAT IS
43 MISLEADING OR THAT HAS THE CAPACITY OR TENDENCY TO MISLEAD.
- 44 3. STATE OR IMPLY THAT THE PAYMENT OR AMOUNT OF NONGUARANTEED
45 ELEMENTS IS GUARANTEED.

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

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

6. PROVIDE AN APPLICANT WITH AN INCOMPLETE ILLUSTRATION.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. THE GUARANTEED ELEMENTS, IF ANY, SHALL BE SHOWN BEFORE ANY NONGUARANTEED ELEMENTS AND SHALL BE SPECIFICALLY REFERRED TO ON ANY PAGE

1 OF AN ILLUSTRATION THAT SHOWS OR DESCRIBES THE NONGUARANTEED ELEMENTS
2 ONLY.

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

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

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

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

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

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

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

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

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

34 B. A BASIC ILLUSTRATION SHALL CONTAIN A NARRATIVE SUMMARY THAT
35 INCLUDES THE FOLLOWING:

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

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

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

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

6 5. A STATEMENT THAT CONTAINS IN SUBSTANCE THE FOLLOWING: "THIS
7 ILLUSTRATION ASSUMES THAT THE CURRENTLY ILLUSTRATED NONGUARANTEED ELEMENTS
8 WILL CONTINUE UNCHANGED FOR ALL YEARS SHOWN, WHICH IS LIKELY NOT TO OCCUR.
9 THE ACTUAL RESULTS MAY BE MORE OR LESS FAVORABLE THAN THE ONES SHOWN IN
10 THIS ILLUSTRATION".

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

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

22 1. THE THREE BASES INCLUDE:

23 (a) POLICY GUARANTEES.

24 (b) INSURER'S ILLUSTRATED SCALE.

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

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

29 (ii) NONGUARANTEED CREDITED INTEREST AT RATES THAT ARE THE AVERAGE
30 OF THE GUARANTEED RATES AND THE RATES THAT ARE CONTAINED IN THE
31 ILLUSTRATED SCALE USED.

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

35 2. IF COVERAGE CEASES BEFORE THE POLICY MATURES OR WHEN THE
36 POLICYOWNER REACHES ONE HUNDRED YEARS OF AGE, THE YEAR IN WHICH COVERAGE
37 CEASES SHALL BE IDENTIFIED FOR EACH OF THE THREE BASES LISTED IN PARAGRAPH
38 1 OF THIS SUBSECTION.

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

43 1. A STATEMENT TO BE SIGNED AND DATED BY THE APPLICANT OR
44 POLICYOWNER THAT STATES: "I HAVE RECEIVED A COPY OF THIS ILLUSTRATION AND
45 UNDERSTAND THAT ANY NONGUARANTEED ELEMENTS ILLUSTRATED ARE SUBJECT TO

1 CHANGE AND COULD BE EITHER HIGHER OR LOWER. THE AGENT HAS TOLD ME THEY
2 ARE NOT GUARANTEED".

3 2. A STATEMENT TO BE SIGNED AND DATED BY THE INSURANCE PRODUCER OR
4 OTHER AUTHORIZED REPRESENTATIVE OF THE INSURER THAT STATES: "I CERTIFY
5 THAT THIS ILLUSTRATION HAS BEEN PRESENTED TO THE APPLICANT AND THAT I HAVE
6 EXPLAINED THAT ANY NONGUARANTEED ELEMENTS ILLUSTRATED ARE SUBJECT TO
7 CHANGE. I HAVE MADE NO STATEMENTS THAT ARE INCONSISTENT WITH THE
8 ILLUSTRATION".

9 F. ALL OF THE FOLLOWING TABULAR DETAILS APPLY TO A BASIC
10 ILLUSTRATION:

11 1. THE BASIC ILLUSTRATION SHALL INCLUDE ALL OF THE FOLLOWING FOR AT
12 LEAST EACH POLICY YEAR FROM YEAR ONE TO TEN AND FOR EVERY FIFTH POLICY
13 YEAR THEREAFTER UNTIL THE INSURED REACHES ONE HUNDRED YEARS OF AGE, POLICY
14 MATURITY OR FINAL EXPIRATION AND, EXCEPT FOR TERM INSURANCE BEYOND THE
15 TWENTIETH YEAR, FOR ANY YEAR IN WHICH THE PREMIUM OUTLAY AND CONTRACT
16 PREMIUM, IF APPLICABLE, IS SUBJECT TO CHANGE:

17 (a) THE PREMIUM OUTLAY AND MODE THE APPLICANT PLANS TO PAY AND THE
18 CONTRACT PREMIUM, AS APPLICABLE.

19 (b) THE CORRESPONDING GUARANTEED DEATH BENEFIT, AS PROVIDED IN THE
20 POLICY.

21 (c) THE CORRESPONDING GUARANTEED VALUE THAT IS AVAILABLE ON
22 SURRENDER, AS PROVIDED IN THE POLICY.

23 2. FOR A POLICY THAT PROVIDES FOR A CONTRACT PREMIUM, THE
24 GUARANTEED DEATH BENEFIT AND VALUE THAT IS AVAILABLE ON SURRENDER SHALL
25 CORRESPOND TO THE CONTRACT PREMIUM.

26 3. NONGUARANTEED ELEMENTS MAY BE SHOWN IF THE NONGUARANTEED
27 ELEMENTS ARE DESCRIBED IN THE CONTRACT. AN ILLUSTRATION FOR A POLICY FOR
28 WHICH THE INSURER INTENDS TO CREDIT TERMINAL DIVIDENDS, THE NONGUARANTEED
29 ELEMENTS MAY BE SHOWN IF THE INSURER'S CURRENT PRACTICE IS TO PAY TERMINAL
30 DIVIDENDS. IF ANY NONGUARANTEED ELEMENTS ARE SHOWN, THE NONGUARANTEED
31 ELEMENTS MUST BE SHOWN AT THE SAME DURATIONS AS THE CORRESPONDING
32 GUARANTEED ELEMENTS, IF ANY. IF A GUARANTEED BENEFIT OR VALUE IS NOT
33 AVAILABLE AT ANY DURATION FOR WHICH A NONGUARANTEED BENEFIT OR VALUE IS
34 SHOWN, A ZERO SHALL BE DISPLAYED IN THE GUARANTEED COLUMN.

35 20-431.05. Supplemental illustrations; requirements

36 A. A SUPPLEMENTAL ILLUSTRATION MAY BE PROVIDED IF:

37 1. THE SUPPLEMENTAL ILLUSTRATION IS APPENDED TO, ACCOMPANIED BY OR
38 PRECEDED BY A BASIC ILLUSTRATION THAT COMPLIES WITH THIS ARTICLE.

39 2. THE NONGUARANTEED ELEMENTS SHOWN ARE NOT MORE FAVORABLE TO THE
40 POLICYOWNER THAN THE CORRESPONDING ELEMENTS BASED ON THE SCALE THAT IS
41 USED IN THE BASIC ILLUSTRATION.

42 3. THE SUPPLEMENTAL ILLUSTRATION CONTAINS THE SAME STATEMENT
43 REQUIRED OF A BASIC ILLUSTRATION THAT NONGUARANTEED ELEMENTS ARE NOT
44 GUARANTEED.

1 4. FOR A POLICY THAT HAS A CONTRACT PREMIUM, THE CONTRACT PREMIUM
2 UNDERLYING THE SUPPLEMENTAL ILLUSTRATION IS EQUAL TO THE CONTRACT PREMIUM
3 SHOWN IN THE BASIC ILLUSTRATION. FOR POLICIES THAT DO NOT REQUIRE A
4 CONTRACT PREMIUM, THE PREMIUM OUTLAY UNDERLYING THE SUPPLEMENTAL
5 ILLUSTRATION MUST BE EQUAL TO THE PREMIUM OUTLAY SHOWN IN THE BASIC
6 ILLUSTRATION.

7 B. THE SUPPLEMENTAL ILLUSTRATION SHALL INCLUDE A NOTICE REFERRING
8 TO THE BASIC ILLUSTRATION FOR GUARANTEED ELEMENTS AND OTHER IMPORTANT
9 INFORMATION.

10 20-431.06. Delivery of illustrations: record retention:
11 requirements

12 A. IF A BASIC ILLUSTRATION IS USED BY AN INSURANCE PRODUCER OR
13 OTHER AUTHORIZED REPRESENTATIVE OF THE INSURER IN THE SALE OF A LIFE
14 INSURANCE POLICY AND THE POLICY IS APPLIED FOR AS ILLUSTRATED, A COPY OF
15 THAT ILLUSTRATION, SIGNED IN ACCORDANCE WITH THIS ARTICLE, SHALL BE
16 SUBMITTED TO THE INSURER AT THE TIME OF POLICY APPLICATION. A COPY SHALL
17 ALSO BE PROVIDED TO THE APPLICANT.

18 B. IF THE POLICY IS ISSUED OTHER THAN AS APPLIED FOR, A REVISED
19 BASIC ILLUSTRATION THAT CONFORMS TO THE POLICY AS ISSUED SHALL BE SENT
20 WITH THE POLICY. THE REVISED ILLUSTRATION SHALL CONFORM TO THE
21 REQUIREMENTS OF THIS ARTICLE, SHALL BE LABELED REVISED ILLUSTRATION AND
22 SHALL BE SIGNED AND DATED BY THE APPLICANT OR POLICYOWNER AND PRODUCER OR
23 OTHER AUTHORIZED REPRESENTATIVE OF THE INSURER NOT LATER THAN THE TIME THE
24 POLICY IS DELIVERED. A COPY SHALL BE PROVIDED TO THE INSURER AND THE
25 POLICYOWNER.

26 C. IF AN ILLUSTRATION IS NOT USED BY AN INSURANCE PRODUCER OR OTHER
27 AUTHORIZED REPRESENTATIVE IN THE SALE OF A LIFE INSURANCE POLICY OR IF THE
28 POLICY IS APPLIED FOR OTHER THAN AS ILLUSTRATED, THE PRODUCER OR
29 AUTHORIZED REPRESENTATIVE SHALL CERTIFY TO THAT EFFECT IN WRITING ON A
30 FORM PROVIDED BY THE INSURER. ON THE SAME FORM, THE APPLICANT SHALL
31 ACKNOWLEDGE THAT AN ILLUSTRATION CONFORMING TO THE POLICY APPLIED FOR WAS
32 NOT PROVIDED AND SHALL FURTHER ACKNOWLEDGE AN UNDERSTANDING THAT AN
33 ILLUSTRATION CONFORMING TO THE POLICY AS ISSUED WILL BE PROVIDED NOT LATER
34 THAN AT THE TIME OF POLICY DELIVERY. THE APPLICANT SHALL SUBMIT THIS FORM
35 TO THE INSURER AT THE TIME OF POLICY APPLICATION.

36 D. IF THE POLICY IS ISSUED, A BASIC ILLUSTRATION THAT CONFORMS TO
37 THE POLICY AS ISSUED SHALL BE SENT WITH THE POLICY AND SIGNED IN
38 ACCORDANCE WITH THE REQUIREMENTS OF THIS SECTION NOT LATER THAN THE TIME
39 THE POLICY IS DELIVERED. A COPY SHALL BE PROVIDED TO THE INSURER AND THE
40 POLICYOWNER.

41 E. IF THE INSURER MAILES THE BASIC ILLUSTRATION OR REVISED
42 ILLUSTRATION TO THE APPLICANT OR POLICYOWNER, THE BASIC ILLUSTRATION OR
43 REVISED ILLUSTRATION SHALL INCLUDE INSTRUCTIONS FOR THE APPLICANT OR
44 POLICYOWNER TO SIGN THE DUPLICATE COPY OF THE NUMERIC SUMMARY PAGE OF THE
45 ILLUSTRATION FOR THE POLICY ISSUED AND RETURN THE SIGNED COPY TO THE

1 INSURER. THE INSURER'S OBLIGATION UNDER THIS SUBSECTION IS SATISFIED IF
2 THE INSURER CAN DEMONSTRATE THAT IT HAS MADE A DILIGENT EFFORT TO SECURE A
3 SIGNED COPY OF THE NUMERIC SUMMARY PAGE. THE INSURER'S REQUIREMENT TO
4 MAKE A DILIGENT EFFORT IS SATISFIED IF THE INSURER INCLUDES IN THE MAILING
5 A SELF-ADDRESSED, POSTAGE PREPAID ENVELOPE WITH INSTRUCTIONS FOR RETURNING
6 THE SIGNED NUMERIC SUMMARY PAGE. IF THE APPLICANT OR POLICYOWNER CONSENTS
7 TO TRANSACT INSURANCE ELECTRONICALLY, THE INSURER MAY SEND A COPY WITH
8 INSTRUCTIONS FOR SIGNING AND RETURNING THE SIGNED COPY ELECTRONICALLY.

9 F. THE INSURER SHALL RETAIN A COPY OF THE BASIC ILLUSTRATION AND A
10 REVISED BASIC ILLUSTRATION, IF ANY, SIGNED AS APPLICABLE, ALONG WITH ANY
11 CERTIFICATION THAT EITHER NO ILLUSTRATION WAS USED OR THAT THE POLICY WAS
12 APPLIED FOR OTHER THAN AS ILLUSTRATED UNTIL THREE YEARS AFTER THE POLICY
13 IS NO LONGER IN FORCE. THE INSURER DOES NOT NEED TO RETAIN A COPY IF A
14 POLICY IS NOT ISSUED.

15 20-431.07. Annual report; notice to policyowners

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

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

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

21 (b) THE POLICY VALUE AT THE END OF THE PREVIOUS REPORT PERIOD AND
22 AT THE END OF THE CURRENT REPORT PERIOD.

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

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

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

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

32 (g) FOR FIXED PREMIUM POLICIES, A NOTICE WHETHER THE POLICY'S NET
33 CASH SURRENDER VALUE IS SUCH THAT IT WOULD NOT MAINTAIN INSURANCE IN FORCE
34 UNTIL THE END OF THE NEXT REPORTING PERIOD, ASSUMING GUARANTEED INTEREST,
35 MORTALITY AND EXPENSE LOADS AND CONTINUED SCHEDULED PREMIUM PAYMENTS.

36 (h) FOR FLEXIBLE PREMIUM POLICIES, A NOTICE WHETHER THE POLICY'S
37 NET CASH SURRENDER VALUE WILL NOT MAINTAIN INSURANCE IN FORCE UNTIL THE
38 END OF THE NEXT REPORTING PERIOD UNLESS FURTHER PREMIUM PAYMENTS ARE MADE,
39 ASSUMING GUARANTEED INTEREST, MORTALITY AND EXPENSE LOADS.

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

42 (a) CURRENT DEATH BENEFIT.

43 (b) ANNUAL CONTRACT PREMIUM.

44 (c) CURRENT CASH SURRENDER VALUE.

45 (d) CURRENT DIVIDEND.

1 (e) APPLICATION OF CURRENT DIVIDEND.

2 (f) AMOUNT OF OUTSTANDING LOAN.

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

7 C. IF THE ANNUAL REPORT DOES NOT INCLUDE AN IN-FORCE ILLUSTRATION,
8 THE ANNUAL REPORT SHALL CONTAIN THE FOLLOWING PROMINENTLY DISPLAYED
9 NOTICE: "IMPORTANT POLICYOWNER NOTICE: YOU SHOULD CONSIDER REQUESTING MORE
10 DETAILED INFORMATION ABOUT YOUR POLICY TO UNDERSTAND HOW IT MAY PERFORM IN
11 THE FUTURE. YOU SHOULD NOT CONSIDER REPLACEMENT OF YOUR POLICY OR MAKE
12 CHANGES IN YOUR COVERAGE WITHOUT REQUESTING A CURRENT ILLUSTRATION. YOU
13 MAY ANNUALLY REQUEST, WITHOUT CHARGE, AN ILLUSTRATION BY CALLING
14 (INSURER'S TELEPHONE NUMBER), WRITING TO (INSURER'S NAME) AT (INSURER'S
15 ADDRESS OR EMAIL ADDRESS) OR CONTACTING YOUR AGENT. IF YOU DO NOT RECEIVE
16 A CURRENT ILLUSTRATION OF YOUR POLICY WITHIN THIRTY DAYS FROM THE DATE OF
17 YOUR REQUEST, YOU SHOULD CONTACT YOUR STATE INSURANCE DEPARTMENT." THE
18 INSURER MAY VARY THE SEQUENTIAL ORDER OF THE METHODS FOR OBTAINING AN
19 IN-FORCE ILLUSTRATION.

20 D. ON REQUEST OF A POLICYOWNER, THE INSURER SHALL FURNISH AN
21 IN-FORCE ILLUSTRATION OF CURRENT AND FUTURE BENEFITS AND VALUES BASED ON
22 THE INSURER'S PRESENT ILLUSTRATED SCALE. THIS ILLUSTRATION SHALL COMPLY
23 WITH SECTION 20-431.03, SUBSECTIONS A AND B AND SECTION 20-431.04,
24 SUBSECTIONS A AND F. A SIGNATURE OR OTHER ACKNOWLEDGEMENT OF RECEIPT OF
25 THIS ILLUSTRATION IS NOT REQUIRED.

26 E. IF THE INSURER MAKES AN ADVERSE CHANGE IN NONGUARANTEED ELEMENTS
27 THAT COULD AFFECT THE POLICY SINCE THE LAST ANNUAL REPORT, THE ANNUAL
28 REPORT SHALL CONTAIN A NOTICE OF THAT FACT AND SHALL PROMINENTLY DISPLAY
29 THE NATURE OF THE CHANGE.

30 20-431.08. Illustration actuaries; annual certifications

31 A. THE BOARD OF DIRECTORS OF EACH INSURER SHALL APPOINT ONE OR MORE
32 ILLUSTRATION ACTUARIES.

33 B. THE ILLUSTRATION ACTUARY SHALL CERTIFY THAT THE DISCIPLINED
34 CURRENT SCALE THAT IS USED IN ILLUSTRATIONS CONFORMS WITH THE ACTUARIAL
35 STANDARD OF PRACTICE FOR COMPLIANCE WITH THE NATIONAL ASSOCIATION OF
36 INSURANCE COMMISSIONERS MODEL REGULATION ON LIFE INSURANCE ILLUSTRATIONS
37 THAT IS ADOPTED BY THE ACTUARIAL STANDARDS BOARD AND THAT THE ILLUSTRATED
38 SCALES USED IN INSURER AUTHORIZED ILLUSTRATIONS MEET THE REQUIREMENTS OF
39 THIS ARTICLE.

40 C. THE ILLUSTRATION ACTUARY SHALL:

41 1. BE A MEMBER IN GOOD STANDING OF THE AMERICAN ACADEMY OF
42 ACTUARIES.

43 2. BE FAMILIAR WITH THE STANDARD OF PRACTICE REGARDING LIFE
44 INSURANCE POLICY ILLUSTRATIONS.

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

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

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

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

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

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

16 5. DISCLOSE THE FOLLOWING IN THE ANNUAL CERTIFICATION, AS
17 APPLICABLE:

18 (a) SINCE THE LAST ANNUAL CERTIFICATION, WHETHER A CURRENTLY
19 PAYABLE SCALE APPLICABLE FOR BUSINESS ISSUED WITHIN THE PREVIOUS FIVE
20 YEARS AND WITHIN THE SCOPE OF THE CERTIFICATION WAS REDUCED FOR REASONS
21 OTHER THAN CHANGES IN THE EXPERIENCE FACTORS UNDERLYING THE DISCIPLINED
22 CURRENT SCALE.

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

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

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

31 (a) FULLY ALLOCATED EXPENSES.

32 (b) MARGINAL EXPENSES.

33 (c) A GENERALLY RECOGNIZED EXPENSE TABLE THAT IS BASED ON FULLY
34 ALLOCATED EXPENSES REPRESENTING A SIGNIFICANT PORTION OF INSURANCE
35 COMPANIES AND THAT IS APPROVED BY THE DIRECTOR.

36 D. THE ILLUSTRATION ACTUARY SHALL FILE THE ANNUAL CERTIFICATION
37 WITH THE BOARD OF DIRECTORS OF THE INSURER AND WITH THE DIRECTOR AS
38 FOLLOWS:

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

40 2. BEFORE A NEW POLICY FORM IS ILLUSTRATED.

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

43 F. IF AN ILLUSTRATION ACTUARY IS UNABLE TO CERTIFY THE SCALE FOR
44 ANY POLICY FORM ILLUSTRATION THAT THE INSURER INTENDS TO USE, THE
45 ILLUSTRATION ACTUARY SHALL NOTIFY THE BOARD OF DIRECTORS OF THE INSURER

1 AND THE DIRECTOR PROMPTLY OF THE ILLUSTRATION ACTUARY'S INABILITY TO
2 CERTIFY.

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

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

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

11 H. THE ANNUAL CERTIFICATIONS SHALL BE PROVIDED TO THE DIRECTOR EACH
12 YEAR BY THE DATE DETERMINED BY THE DIRECTOR.

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

17 20-431.09. Penalties

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

21 Sec. 2. Section 20-1241, Arizona Revised Statutes, is amended to
22 read:

23 20-1241. Definitions

24 In this article, unless the context otherwise requires:

25 1. "Contract" means a contract for the purchase of an annuity.

26 2. "Direct response solicitation" means a solicitation to purchase
27 a policy or contract solely through mail, telephone, the internet or other
28 mass communication media.

29 3. "Direct solicitation" means personal contact to solicit someone
30 to purchase a policy or contract, but does not include any group meeting
31 held by an insurance producer solely for the purpose of educating or
32 enrolling individuals or when initiated by an individual member of a group
33 assisting the individual with selection of investment options offered by a
34 single insurer in connection with enrolling that individual.

35 4. "Existing insurer" means the insurer whose policy or contract is
36 or will be replaced.

37 5. "Existing policy or contract" means a policy or contract that is
38 in force and includes a policy under a binding or conditional receipt and
39 a policy or contract that is within an unconditional refund period.

40 6. "Financed purchase" means the purchase of a new policy involving
41 the actual or intended use of monies obtained by the withdrawal or
42 surrender of, or by borrowing from values of, an existing policy to pay
43 all or part of any premium due on the new policy. For the purposes of a
44 regulatory review of an individual transaction only, if a withdrawal,
45 surrender or borrowing involving the policy values of an existing policy

1 is used to pay premiums on a new policy owned by the same policyholder and
2 issued by the same insurer within four months before or thirteen months
3 after the effective date of the new policy, it is deemed prima facie
4 evidence of the policyholder's intent to finance the purchase of the new
5 policy with existing policy values. This prima facie standard is not
6 intended to increase or decrease the monitoring obligations of section
7 20-1241.04, subsection B, paragraph 5.

8 7. "Illustration" ~~means a presentation or depiction that includes~~
9 ~~nonguaranteed elements of a policy of life insurance over a period of~~
10 ~~years~~ HAS THE SAME MEANING PRESCRIBED IN SECTION 20-431.

11 8. "Insurance producer" has the same meaning prescribed in section
12 20-281.

13 9. "Policy summary" means a description of a policy or contract
14 that meets the requirements in section 20-1241.02 and prescribed by the
15 director.

16 10. "Registered contract" means a variable annuity contract or
17 variable life insurance policy subject to the prospectus delivery
18 requirements of the securities act of 1933 (P.L. 107-377; 15 United States
19 Code sections 77a through 77aa).

20 11. "Replaced" or "replacement" means a transaction in which a new
21 policy or contract is to be purchased and it is known or should be known
22 to the proposing insurance producer, or to the proposing insurer if there
23 is no insurance producer, that by reason of the transaction an existing
24 policy or contract has been or is to be:

25 (a) Lapsed, forfeited, surrendered or partially surrendered,
26 assigned to the replacing insurer or otherwise terminated.

27 (b) Converted to reduced paid-up insurance, continued as extended
28 term insurance or otherwise reduced in value by the use of nonforfeiture
29 benefits or other policy values.

30 (c) Amended so as to effect either a reduction in benefits or in
31 the term for which coverage would otherwise remain in force or for which
32 benefits would be paid.

33 (d) Reissued with any reduction in cash value.

34 (e) Used in a financed purchase.

35 12. "Replacing insurer" means the insurer that issues or proposes
36 to issue a new policy or contract that replaces an existing policy or
37 contract or is a financed purchase.

38 13. "Sales material" means a sales illustration and any other
39 written, printed or electronically presented information that is created,
40 completed or provided by an insurer or insurance producer, that is used in
41 the presentation to the policy or contract owner and that is related to
42 the policy or contract purchased.

43 Sec. 3. Effective date

44 This act is effective from and after December 31, 2025.