



Ohio Revised Code

Section 3903.729 Established reserves; principle-based valuation.

Effective: September 4, 2014

Legislation: Senate Bill 140 - 130th General Assembly

(A) A company shall establish reserves using a principle-based valuation that meets the following conditions for policies or contracts as specified in the valuation manual:

(1) The principle-based valuation shall quantify the benefits and guarantees, and the funding, associated with the contracts and their risks at a level of conservatism that reflects conditions that include unfavorable events that have a reasonable probability of occurring during the lifetime of the contracts.

(2) The principle-based valuation shall reflect conditions, for policies or contracts with significant tail risk, appropriately adverse to quantify the tail risk.

(3) The principle-based valuation shall incorporate assumptions, risk analysis methods, and financial models and management techniques that are consistent with, but not necessarily identical to, those utilized within the company's overall risk assessment process, while recognizing potential differences in financial reporting structures and any prescribed assumptions or methods.

(4) The principle-based valuation shall incorporate assumptions that are derived in one of the following manners:

(a) The assumption is prescribed in the valuation manual.

(b) For assumptions that are not prescribed, the assumptions shall:

(i) Be established utilizing the company's available experience, to the extent it is relevant and statistically credible;

(ii) To the extent company data is not available, relevant, or statistically credible, be established utilizing other relevant statistically credible experience.



(5) The principle-based valuation shall provide margins for uncertainty including adverse deviation and estimation error, such that the greater the uncertainty the larger the margin and resulting reserve.

(B) A company using a principle-based valuation for one or more policies or contracts subject to this section as specified in the valuation manual shall do all of the following:

(1) Establish procedures for corporate governance and oversight of the actuarial valuation function consistent with those described in the valuation manual;

(2) Provide to the superintendent and the company's board of directors an annual certification of the effectiveness of the internal controls with respect to the principle-based valuation. Such controls shall be designed to assure that all material risks inherent in the liabilities and associated assets subject to such valuation are included in the valuation, and that valuations are made in accordance with the valuation manual. The certification shall be based on the controls in place as of the end of the preceding calendar year.

(3) Develop, and file with the superintendent upon request, a principle-based valuation report that complies with standards prescribed in the valuation manual.