

**MODEL REGULATION PERMITTING THE RECOGNITION OF PREFERRED MORTALITY TABLES
FOR USE IN DETERMINING MINIMUM RESERVE LIABILITIES**

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Section 1. Authority

This regulation is promulgated by the Commissioner of Insurance pursuant to Sections [insert applicable references to Section 4A(c) of the Standard Valuation Law and Sections [insert applicable references to Sections 5A and 5B of the Valuation of Life Insurance Model Regulation] of the [insert state] Insurance Regulations.

Drafting Note: The reference to the Valuation of Life Insurance Policies Model Regulation should be omitted by states that have not adopted that model.

Section 2. Purpose

The purpose of this regulation is to recognize, permit and prescribe the use of mortality tables that reflect differences in mortality between preferred and standard lives in determining minimum reserve liabilities in accordance with [insert applicable references to Section 4A(c) of the Standard Valuation Law and Sections [insert applicable references to Sections 5A and 5B of the Valuation of Life Insurance Model Regulation] of the [insert state] Insurance Regulations.

Section 3. Definitions

- A. “2001 CSO Mortality Table” means that mortality table, consisting of separate rates of mortality for male and female lives, developed by the American Academy of Actuaries CSO Task Force from the Valuation Basic Mortality Table developed by the Society of Actuaries Individual Life Insurance Valuation Mortality Task Force, and adopted by the NAIC in December 2002. The 2001 CSO Mortality Table is included in the *Proceedings of the NAIC (2nd Quarter 2002)* and supplemented by the 2001 CSO Preferred Class Structure Mortality Table defined below in Subsection B. Unless the context indicates otherwise, the “2001 CSO Mortality Table” includes both the ultimate form of that table and the select and ultimate form of that table and includes both the smoker and nonsmoker mortality tables and the composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality tables. Mortality tables in the 2001 CSO Mortality Table include the following:
 - (1) “2001 CSO Mortality Table (F)” means that mortality table consisting of the rates of mortality for female lives from the 2001 CSO Mortality Table.
 - (2) “2001 CSO Mortality Table (M)” means that mortality table consisting of the rates of mortality for male lives from the 2001 CSO Mortality Table.
 - (3) “Composite mortality tables” means mortality tables with rates of mortality that do not distinguish between smokers and nonsmokers.
 - (4) “Smoker and nonsmoker mortality tables” means mortality tables with separate rates of mortality for smokers and nonsmokers.

- B. “2001 CSO Preferred Class Structure Mortality Table” means mortality tables with separate rates of mortality for super preferred nonsmokers, preferred nonsmokers, residual standard nonsmokers, preferred smokers, and residual standard smoker splits of the 2001 CSO Nonsmoker and Smoker Tables, as adopted by the NAIC at the September, 2006 national meeting and published in the *NAIC Proceedings {3rd Quarter 2006}*. Unless the context indicates otherwise, the “2001 CSO Preferred Class Structure Mortality Table” includes both the ultimate form of that table and the select and ultimate form of that table. It includes both the smoker and nonsmoker mortality tables. It includes both the male and female mortality tables and the gender composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality table.
- C. “Statistical agent” means an entity with proven systems for protecting the confidentiality of individual insured and insurer information; demonstrated resources for and history of ongoing electronic communications and data transfer ensuring data integrity with insurers, which are its members or subscribers; and a history of and means for aggregation of data and accurate promulgation of the experience modifications in a timely manner.

Section 4. 2001 CSO Preferred Class Structure Table

At the election of the company, for each calendar year of issue, for any one or more specified plans of insurance and subject to satisfying the conditions stated in this regulation, the 2001 CSO Preferred Class Structure Mortality Table may be substituted in place of the 2001 CSO Smoker or Nonsmoker Mortality Table as the minimum valuation standard for policies issued on or after January 1, 2007. For policies issued on or after [insert the effective date of adoption of the NAIC Model Regulation 814, Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits], and prior to January 1, 2007, these tables may be substituted with the consent of the commissioner and subject to the conditions of Section 5. In determining such consent, the commissioner may rely on the consent of the commissioner of the company’s state of domicile. No such election shall be made until the company demonstrates at least 20% of the business to be valued on this table is in one or more of the preferred classes. A table from the 2001 CSO Preferred Class Structure Mortality Table used in place of a 2001 CSO Mortality Table, pursuant to the requirements of this rule, will be treated as part of the 2001 CSO Mortality Table only for purposes of reserve valuation pursuant to the requirements of the NAIC model regulation, “Recognition of the 2001 CSO Mortality Table For Use In Determining Minimum Reserve Liabilities And Nonforfeiture Benefits Model Regulation.”

Section 5. Conditions

- A. For each plan of insurance with separate rates for preferred and standard nonsmoker lives, an insurer may use the super preferred nonsmoker, preferred nonsmoker, and residual standard nonsmoker tables to substitute for the nonsmoker mortality table found in the 2001 CSO Mortality Table to determine minimum reserves. At the time of election and annually thereafter, except for business valued under the residual standard nonsmoker table, the appointed actuary shall certify that:
- (1) The present value of death benefits over the next ten years after the valuation date, using the anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the valuation basic table corresponding to the valuation table being used for that class.
 - (2) The present value of death benefits over the future life of the contracts, using anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the valuation basic table corresponding to the valuation table being used for that class.
- B. For each plan of insurance with separate rates for preferred and standard smoker lives, an insurer may use the preferred smoker and residual standard smoker tables to substitute for the smoker mortality table found in the 2001 CSO Mortality Table to determine minimum reserves. At the time of election and annually thereafter, for business valued under the preferred smoker table, the appointed actuary shall certify that:

- (1) The present value of death benefits over the next ten years after the valuation date, using the anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the preferred smoker valuation basic table corresponding to the valuation table being used for that class.
 - (2) The present value of death benefits over the future life of the contracts, using anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the preferred smoker valuation basic table.
- C. Unless exempted by the commissioner, every authorized insurer using the 2001 CSO Preferred Class Structure Table shall annually file with the commissioner, with the NAIC, or with a statistical agent designated by the NAIC and acceptable to the commissioner, statistical reports showing mortality and such other information as the commissioner may deem necessary or expedient for the administration of the provisions of this regulation. The form of the reports shall be established by the commissioner or the commissioner may require the use of a form established by the NAIC or by a statistical agent designated by the NAIC and acceptable to the commissioner.
- D. The use of the 2001 CSO Preferred Class Structure Table for the valuation of policies issued prior to January 1, 2007 shall not be permitted in any statutory financial statement in which a company reports, with respect to any policy or portion of a policy coinsured, either of the following:
- (1) In cases where the mode of payment of the reinsurance premium is less frequent than the mode of payment of the policy premium, a reserve credit that exceeds, by more than the amount specified in this paragraph as Y, the gross reserve calculated before reinsurance. Y is the amount of the gross reinsurance premium that (a) provides coverage for the period from the next policy premium due date to the earlier of the end of the policy year and the next reinsurance premium due date, and (b) would be refunded to the ceding entity upon the termination of the policy.
 - (2) In cases where the mode of payment of the reinsurance premium is more frequent than the mode of payment of the policy premium, a reserve credit that is less than the gross reserve, calculated before reinsurance, by an amount that is less than the amount specified in this paragraph as Z. Z is the amount of the gross reinsurance premium that the ceding entity would need to pay the assuming company to provide reinsurance coverage from the period of the next reinsurance premium due date to the next policy premium due date minus any liability established for the proportionate amount not remitted to the reinsurer.

For purposes of this condition, the reserve (i) for the mean reserve method shall be defined as the mean reserve minus the deferred premium asset, and (ii) for the mid-terminal reserve method shall include the unearned premium reserve. A company may estimate and adjust its accounting on an aggregate basis in order to meet the conditions to use the 2001 CSO Preferred Class Structure Table.

Section 6. Separability

If any provision of this regulation or its application to any person or circumstance is for any reason held to be invalid, the remainder of the regulation and the application of the provision to other persons or circumstances shall not be affected.

Section 7. Effective Date

The effective date of this regulation is January 1, 2007.

Chronological Summary of Actions (All references are to NAIC Proceedings)

*2006 Proc. 3rd Quarter 34, 2338-2342, 2662-2663, 2665, 2666, 2682 (adopted by Plenary).
2009 Proc. 3rd Quarter, Vol. I, 95-96, 114-117, 178-181, 315 (amended).*

Model Regulation Permitting The Recognition of Preferred Mortality Tables
For Use In Determining Minimum Reserve Liabilities

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This chart is intended to provide readers with additional information to more easily access state statutes, regulations, bulletins or administrative rulings related to the NAIC model. Such guidance provides readers with a starting point from which they may review how each state has addressed the model and the topic being covered. The NAIC Legal Division has reviewed each state’s activity in this area and has determined whether the citation most appropriately fits in the Model Adoption column or Related State Activity column based on the definitions listed below. The NAIC’s interpretation may or may not be shared by the individual states or by interested readers.

This chart does not constitute a formal legal opinion by the NAIC staff on the provisions of state law and should not be relied upon as such. Nor does this state page reflect a determination as to whether a state meets any applicable accreditation standards. Every effort has been made to provide correct and accurate summaries to assist readers in locating useful information. Readers should consult state law for further details and for the most current information.

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KEY:

MODEL ADOPTION: States that have citations identified in this column adopted the most recent version of the NAIC model in a **substantially similar manner**. This requires states to adopt the model in its entirety but does allow for variations in style and format. States that have adopted portions of the current NAIC model will be included in this column with an explanatory note.

RELATED STATE ACTIVITY: Examples of Related State Activity include but are not limited to: older versions of the NAIC model, statutes or regulations addressing the same subject matter, or other administrative guidance such as bulletins and notices. States that have citations identified in this column **only** (and nothing listed in the Model Adoption column) have **not** adopted the most recent version of the NAIC model in a **substantially similar manner**.

NO CURRENT ACTIVITY: No state activity on the topic as of the date of the most recent update. This includes states that have repealed legislation as well as states that have never adopted legislation.

NAIC MEMBER	MODEL ADOPTION	RELATED STATE ACTIVITY
Alabama	ALA. ADMIN. CODE r. 482-1-139-.01 to 482-1-139-.07 (2007/2010).	
Alaska		ALASKA ADMIN. CODE tit. 3 § 28.635 (2008/2010) (applicability of the 2001 CSO Mortality Tables).
American Samoa	NO CURRENT ACTIVITY	
Arizona	NO CURRENT ACTIVITY	
Arkansas		054.00.92 ARK CODE R. §§ 1 to 7 (2008) (previous version of model).
California		CAL. CODE REGS. tit. 92, §§ 1 to 7 (2008) (previous version of model); BULLETIN 2009-2 (2009).
Colorado	3 COLO. CODE REGS. § 4-1-13 (2007/2010).	
Connecticut	CONN. AGENCIES REGS. §§ 38a-78-33 to 38a-33-34 (2010).	
Delaware	18 DEL. CODE REGS. §§ 1200 to 1215 (2007/2009).	
District of Columbia		D.C. Mun. Regs. tit. 26 § 3005 (2000/2008).
Florida	FLA. ADMIN. CODE ANN. r. 69O-162.203 (2011/2012).	

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NAIC MEMBER	MODEL ADOPTION	RELATED STATE ACTIVITY
Georgia		GA. COMP. R. & REGS 120-2-90-.01 to 120-2-90-.08 (2007) (previous version of model).
Guam	NO CURRENT ACTIVITY	
Hawaii	HAW. CODE R. 16-171-401 to 16-171-405 (2008/2012).	Memorandum 2009-2 (2009).
Idaho		IDAHO ADMIN. CODE r. 18.01.79.000 to 18.01.79.012 (2007/2008) (previous version of model); BULLETIN 2008-4 (2008).
Illinois		ILL. ADMIN. CODE tit. 50, § 1412 (2018).
Indiana	760 IND. ADMIN. CODE 1-69-1 to 1-69-6 (2007/2010).	
Iowa	IOWA ADMIN. CODE r. 191-191-94.1 to 191-191-94.5 (2007/2010).	
Kansas	NO CURRENT ACTIVITY	
Kentucky		806 KY. ADMIN. REGS 6:120 (2007) (previous version of model).
Louisiana		LA. ADMIN. CODE tit. 37, §§ 11901 to 11913 (2007) (previous version of model).
Maine		02-031-340 ME. CODE R. § Art. VII (1984/2014).
Maryland	MD. CODE REGS. 31.05.03.15 (2007/2010).	
Massachusetts	211 MASS. CODE REGS. 58.01 to 58.06 (2006/2010).	
Michigan	MICH. COMP. LAWS ANN. § 500.838a (2014).	
Minnesota	MINN. STAT. ANN. § 61A.257 (2007/2010).	
Mississippi	NO CURRENT ACTIVITY	
Missouri	MO. CODE REGS. ANN. tit. 20, § 400-1.170 (2008/2011).	

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NAIC MEMBER	MODEL ADOPTION	RELATED STATE ACTIVITY
Montana		MONT. ADMIN. R. 6.6.7101 to 6.6.7109 (2008) (previous version of model).
Nebraska	210 NEB. ADMIN. CODE §§ 84-001 to 84-007 (2008/2009).	Notice 7-9-2009 (2009).
Nevada	NO CURRENT ACTIVITY	NEV. ADMIN. CODE § 688A.327 92008/2016).
New Hampshire	N.H. CODE R. INS. 3508.01 to 3508.04 (2007/2015).	N.H. CODE R. INS. 307.01 to 307.06 (1985/2009).
New Jersey		N.J. ADMIN. CODE §§ 11:4-27A.1 to 4-27A.6 (2008) (previous version of model); §§ 13:36-11.1 to 13:36-11.3 (2012).
New Mexico	N.M. CODE R. §§ 13.9.18.1 to 13.9.18.9 (2007/2018).	
New York	NO CURRENT ACTIVITY	N.Y. COMP. CODES R. & REG. tit. 11 § 100.10 (2007/2017).
North Carolina		11 N.C. ADMIN. CODE §§ 11F.0801 (2007) (previous version of model).
North Dakota		N.D. ADMIN. CODE 45-04-07.2-01 to 45-04-07-03 (2008) (previous version of model).
Northern Marianas	NO CURRENT ACTIVITY	
Ohio		OHIO ADMIN. CODE 3901-6-12 (2009) (previous version of model).
Oklahoma	OKLA. ADMIN. CODE §§ 365:10-25-1 to 365:10-25-7 (2007/2009).	
Oregon	OR. ADMIN. R. 836-031-0800 to 836-031-0815 (2007/2011).	
Pennsylvania	31 PA. CODE § 84d.3a (2007/2011).	

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NAIC MEMBER	MODEL ADOPTION	RELATED STATE ACTIVITY
Puerto Rico	NO CURRENT ACTIVITY	
Rhode Island	NO CURRENT ACTIVITY	
South Carolina		S.C. CODE ANN. REGS. 69-57.2 (2007) (previous version of model).
South Dakota		S.D. ADMIN. R. 20:06:51:01 to 20:06:51:05 (2007/2008) (previous version of model).
Tennessee		TENN. COMP. R. 7 REG. 0780-01-52-.04 (1985/2003).
Texas	28 TEX. ADMIN. CODE §§ 3.9401 to 3.9404 (2007/2010).	
Utah		UTAH ADMIN. CODE r. 590-241-1 to 590-241-6 (2007) (previous version of model).
Vermont		I-2007 VT. CODE R. § 3 (2007) (previous version of model).
Virgin Islands	NO CURRENT ACTIVITY	
Virginia	14 VA. ADMIN. CODE §§ 114-69A-1 to 114-69A-5 (2007/2011).	
Washington		WASH. ADMIN. CODE 284-74-470 to 284-74-500 (2007) (previous version of model).
West Virginia	W. VA. CODE R. §§ 114-69A-1 to 114-69A-4 (2008/2011).	
Wisconsin	NO CURRENT ACTIVITY	
Wyoming	NO CURRENT ACTIVITY	

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Proceeding Citations

Cited to the Proceedings of the NAIC

The Life and Health Actuarial Task Force discussed a proposal submitted by an interested party which contained a draft for a proposed model. **2005 Proc. 4th Quarter 2265.**

The Task Force discussed a report submitted by an interested party which detailed their revisions to the proposed model regulation. Some of the outstanding issues were: (1) more guidance on areas where actuaries are called upon to use their professional actuarial judgment; (2) more work on the modeling of non-guaranteed elements, such as dividends; (3) special considerations for equity-indexed universal life products; (4) additional work on hedges under both deterministic and stochastic reserving methods; and (5) small company considerations. **2006. Proc. 2nd Quarter 1346.**

A regulator said that in order to adopt this regulation, a change in the Standard Valuation Law would be needed. **2006 Proc. 2nd Quarter 1346.**

The joint Executive Committee/Plenary adopted this model during the 2006 Fall National Meeting. **2006 Proc. 3rd Quarter 34.**

The Task Force appointed a joint Capital Adequacy (E) Task Force/Life and Health Actuarial Task Force Subgroup. The Task Force also discussed the proposals in the 2008 Capital and Surplus Relief package that the Task Force recommended for consideration. The Task Force released a draft of this model related to these proposals. **2009 Proc. 1st Quarter 6-4.**

The joint Executive Committee/Plenary adopted the revisions to this model during the 2009 Fall National Meeting. **2009 Proc. 3rd Quarter.**

Section 1. Authority

Section 2. Purpose

Section 3. Definitions

Section 4. 2001 CSO Preferred Class Structure Table

Section 5. Conditions

A regulator stated that additional discussion comparing the gross premium valuation (GPV) with the greatest present value of accumulated deficiencies (GPVAD) and setting various margins is needed. Another regulator had concerns about the concept of using judgment to set reserves without a strong regulatory review and that reserves before and after the regulation need to be studied. **2006 Proc. 2nd Quarter 1346.**

The Task Force discussed different approaches to establishing margins for prudent best estimate assumptions. **2006 Proc. 2nd Quarter 1347.**

The Task Force discussed the use of margins based on industry experience and company-specific experience, the potential interplay of different assumptions and the possibility of listing assumptions in order of priority based on sensitivity. **2006 Proc. 2nd Quarter 1347.**

Section 6. Separability

Section 7. Effective Date

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Chronological Summary of Actions

September 2006: Model adopted.

September 2009: Model amended.