

**Legislative Regulation
Review Committee**

2010-012

Insurance Department

**RECOGNITION OF PREFERRED
MORTALITY TABLES**

STATE OF CONNECTICUT
REGULATION
OFNAME OF AGENCY
INSURANCE DEPARTMENT

SECTION 1

Recognition of Preferred Mortality Tables for Use in Determining Minimum Reserve Liabilities

Section 1. Section 38a-78-33 of the Regulations of Connecticut State Agencies is amended to read as follows:

Sec. 38a-78-33. 2001 CSO Preferred Class Mortality 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 section 38a-78-34 of the Regulations of Connecticut State Agencies, 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 January 1, 2004, and prior to January 1, 2007, these tables may be substituted with the consent of the commissioner and subject to the conditions of section 38a-78-34. 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 twenty percent of the business to be valued on this table is in one or more of the preferred classes. [With respect to domestic life insurers only, written notice of election to comply with the provisions of this subsection on or after a specified date shall be filed with the commissioner.] A table from the 2001 CSO Preferred Class Structure Mortality Table used in place of the 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".

Sec. 2. Section 38a-78-34 of the Regulations of Connecticut State Agencies is amended to read as follows:

Sec. 38a-78-34. Conditions

- (a) For each plan of insurance with separate rates for Preferred and Standard Nonsmokers lives, an insurer may use the Super Preferred Nonsmokers, Preferred Nonsmokers, and Residual Standard Nonsmokers mortality tables to substitute for the Nonsmokers mortality tables found in the 2001 CSO Mortality Table to determine minimum reserves. At the election and annually thereafter, except for business valued under the Residual Standard Nonsmokers Mortality 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; and
 - (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 smokers lives, an insurer may use the Preferred Smokers and Residual Standard Smokers mortality tables to

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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 Smokers Mortality 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; and
 - (2) The present value of death benefits over the future life of the contracts, using anticipated mortality experience without recognition of mortality improvements 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 Mortality Table shall annually file with the commissioner, with the NAIC, or with a statistical agent designated by the NAIC, and that which is 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 sections 38a-78-1 to 38a-78-34, inclusive. 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 that which is 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.

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Statement of Purpose: To allow the 2001 CSO Preferred Class Mortality Table to be used with contracts based on the 2001 CSO Mortality Table and issued prior to January 1, 2007.

A. The problems, issues or circumstances that the regulation proposes to address.

The revisions amend Sections 38a-78-33 and 38a-78-34 to allow the 2001 CSO Preferred Class Mortality Table to be used, with the consent of the Insurance Commissioner, for contracts issued prior to January 1, 2007. The preferred mortality tables split the non-smoker 2001 CSO table into three tables, and the smoker 2001 table into two tables, with the new tables being determined by risk class (preferred and standard). The preferred class structure mortality table may be used in place of the 2001 CSO mortality table under certain conditions, as specified in the regulation, for valuing the minimum standards for certain life insurance products. The split of the 2001 CSO mortality table into super preferred, preferred, and residual standard classes will allow for reserves to better match the risks associated with different underwriting classifications. The anticipated impact of this proposal will vary by company and by product. For example, companies that did not elect to use the 2001 CSO table for policies issued prior to 2007 will not experience any impact from the implementation of this proposal. However, companies electing to use the 2001 CSO table prior to 2007 may experience a material reduction in reserves for policies issued on a preferred basis.

B. A summary of the main provisions of the regulation.

The revisions amend Sections 38a-78-33 and 38a-78-34 to allow the 2001 CSO Preferred Class Mortality Table to be used, with the consent of the Insurance Commissioner, for contracts issued prior to January 1, 2007. Such consent shall not be granted, however, if the company has entered into reinsurance treaties with respect to the subject business that result in certain specified statutory accounting anomalies.

C. The legal effects of the regulation, including all ways that the regulation would change existing regulations or other laws.

No other laws or regulations will be affected.

CERTIFICATION

R-39 REV. 1/77

Be it known that the foregoing:

Regulations Emergency Regulations

Are:

Adopted Amended as hereinabove stated Repealed

By the aforesaid agency pursuant to:

Sections _____ of the General Statutes.

Section 38a-78 of the General Statutes.

Public Act No. ____ of the Public Acts.

After publication in the Connecticut Law Journal on, January 12, 2010 of the notice of the proposal to:

Adopt Amend Repeal such regulations

(If applicable): And the holding of an advertised public hearing on _____ day of _____ 20__

WHEREFORE, the foregoing regulations are hereby:

Adopted Amended as hereinabove stated Repealed

Effective:

When filed with the Secretary of the State.

(OR)

In Witness Whereof:	DATE 2/19/10	SIGNED (Head of Board, Agency or Commission) <i>[Signature]</i>	OFFICIAL TITLE, DULY AUTHORIZED INSURANCE COMMISSIONER
Approved by the Attorney General as to legal sufficiency In accordance with Sec. 4-169, as amended, C. G. S. :	SIGNED <i>[Signature]</i>	DATE 3/8/10	OFFICIAL TITLE, DULY AUTHORIZED ATTORNEY GENERAL

- Approved
- Disapproved
- Disapproved in part, (Indicate Section Numbers disapproved only)
- Rejected without prejudice.

By the Legislative Regulation Review Committee in accordance With Sec. 4-170, as amended, of the General Statutes.	DATE	SIGNED (Clerk of the Legislative Regulation Review Committee)
Two certified copies received and filed, and one such copy forwarded to the Commission on Official Legal Publications In accordance with Section 4-172, as amended, of the General Statutes.		
DATE	SIGNED (Secretary of the State.)	BY

INSTRUCTION

1. One copy of all regulations for adoption, amendment or repeal, except emergency regulations, must be presented to the Attorney General for his determination of legal sufficiency. Section 4-169 of the General Statutes.
2. Seventeen copies of all regulations for adoption, amendment or repeal, except emergency regulations, must be presented to the standing Legislative Regulation Review Committee for its approval. Section 4-170 of the General Statutes.
3. Each regulation must be in the form intended for publication and must include the appropriate regulation section number and section heading. Section 4-172 of the General Statutes.
4. Indicate by "(NEW)" in heading if new regulation. Amended regulations must contain new language in capitol letters and deleted language in brackets. Section 4-170 of the General Statutes.