

**CHAPTER 84d. RECOGNITION OF THE 2001 CSO MORTALITY
TABLE FOR USE IN DETERMINING MINIMUM RESERVE
LIABILITIES AND NONFORFEITURE BENEFITS AND THE 2001 CSO
PREFERRED CLASS STRUCTURE MORTALITY TABLE FOR USE IN
DETERMINING MINIMUM RESERVE LIABILITIES**

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Authority

The provisions of this Chapter 84d issued under sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P. S. §§ 66, 186, 411 and 412); section 301(c)(1) of The Insurance Department Act of 1921 (40 P. S. § 71(c)(1)); section 410F(e)(8)(F) of The Insurance Company Law (40 P. S. § 510.1(e)(8)(F)); and the Unfair Insurance Practices Act (40 P. S. §§ 1171.1—1171.15), unless otherwise noted.

Source

The provisions of this Chapter 84d adopted December 26, 2003, effective January 1, 2004, unless otherwise noted.

§ 84d.1. Purpose.

This chapter implements section 301(c)(1) of the act (40 P. S. § 71(c)(1)), section 410A(e)(8)(F) of the law (40 P. S. § 510.1(e)(8)(F)) and § 84c.5(a) and (b) (relating to general requirements for basic reserves and premium deficiency reserves) which authorize the Commissioner to promulgate regulations specifying tables adopted after 1980 by the NAIC for use in determining minimum nonforfeiture standards and minimum valuation standards.

§ 84d.2. Definitions.

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

Act—The Insurance Department Act of 1921 (40 P. S. §§ 1—324).

Actuarial Standards Board—The board established by the American Academy of Actuaries, or a successor thereto, to develop and promulgate standards of actuarial practice.

Commissioner—The Insurance Commissioner of the Commonwealth.

2001 CSO Composite Mortality Tables—The 2001 CSO Mortality Tables with rates of mortality that do not distinguish between smokers and nonsmokers.

Law—The Insurance Company Law of 1921 (40 P. S. §§ 341—991)

NAIC—The National Association of Insurance Commissioners.

2001 CSO Smoker and Nonsmoker Mortality Tables—The 2001 CSO Mortality Tables with separate rates of mortality for smokers and nonsmokers.

2001 CSO Mortality Table—The 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)*. 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.

2001 CSO Mortality Table (F)—The mortality table consisting of the rates of mortality for female lives from the 2001 CSO Mortality Table.

2001 CSO Mortality Table (M)—The mortality table consisting of the rates of mortality for male lives from the 2001 CSO Mortality Table.

2001 CSO Preferred Class Structure Mortality Table—The mortality tables with separate rates of mortality for Super Preferred Nonsmoker, Preferred Nonsmoker, Residual Standard Nonsmoker, Preferred Smoker and Residual Standard Smoker splits of the 2001 CSO Nonsmoker and Smoker Mortality Tables as adopted by the NAIC at the September 2006 meeting and published in the NAIC minutes for that meeting. 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. The table includes both the male and female mortality tables and also includes both the age-nearest-birthday and age-last-birthday bases of the mortality table.

Statistical agent—An entity with proven systems for protecting the confidentiality of individual insured and company information, demonstrated resources for and history of ongoing electronic communications and data transfer ensuring data integrity with insurance companies, 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.

Source

The provisions of this § 84d.2 amended December 1, 2006, effective December 2, 2006, 36 Pa.B. 7244. Immediately preceding text appears at serial pages (302083) to (302084).

§ 84d.3. 2001 CSO Mortality Table.

(a) At the election of the company for any one or more specified plans of insurance and subject to the conditions stated in this chapter, the 2001 CSO Mor-

tality Table may be used as the minimum nonforfeiture standard and the minimum valuation standard for policies issued on or after January 1, 2004, and before the date specified in subsection (b). If the company elects to use the 2001 CSO Mortality Table, it shall do so for both nonforfeiture and valuation purposes.

(b) Subject to the conditions stated in this chapter, the 2001 CSO Mortality Table shall be used as the minimum nonforfeiture standard and the minimum valuation standard for policies issued on and after January 1, 2009.

(c) For each policy form with separate rates for smokers and nonsmokers a company may use the 2001 CSO Mortality Tables in one of the following ways:

(1) The 2001 CSO Composite Mortality Tables as the minimum nonforfeiture standard and the minimum valuation standard.

(2) The 2001 CSO Composite Mortality Tables as the minimum nonforfeiture standard and to determine the minimum reserves required by section 301 of the act (40 P. S. § 71) and the 2001 CSO Smoker and Nonsmoker Mortality Tables as the minimum valuation standard to determine the additional minimum reserves, if any, required by section 303 of the act (40 P. S. § 73).

(3) The 2001 CSO Smoker and Nonsmoker Mortality Tables as the minimum nonforfeiture standard and the minimum valuation standard.

(d) For each policy form without separate rates for smokers and nonsmokers the 2001 CSO Composite Mortality Tables shall be used as the minimum nonforfeiture standard and the minimum valuation standard.

(e) Subject to the restrictions of § 84d.4 (relating to applicability of the 2001 CSO Mortality Table to Chapter 84c (relating to valuation of life insurance policies)) and Chapter 84c (relating to valuation of life insurance policies), the 2001 CSO Mortality Table may, at the option of the company for each policy form, be used in its ultimate or select and ultimate form as the minimum nonforfeiture standard and the minimum valuation standard.

(f) When the 2001 CSO Mortality Table is the minimum reserve standard for any policy form for a company, the actuarial opinion in the annual statement filed with the Commissioner shall be based on an asset adequacy analysis as specified in Chapter 84b (relating to actuarial opinion and memorandum). The Commissioner may exempt a company from this requirement if it only does business in this Commonwealth.

Source

The provisions of this § 84d.3 amended December 1, 2006, effective December 2, 2006, 36 Pa.B. 7244. Immediately preceding text appears at serial pages (302084) to (302085).

Cross References

This section cited in 31 Pa. Code § 84d.4 (relating to applicability of the 2001 CSO Mortality Table to Chapter 84c (relating to valuation of life insurance policies)).

§ 84d.3a. 2001 CSO Preferred Class Structure Mortality Table.

(a) 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 chapter, 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 and after January 1, 2004, and prior to January 1, 2007, these tables may be substituted as the minimum valuation standard with the consent of the Commissioner subject to the conditions of subsections (b)—(g). In determining consent, the Commissioner may rely on the consent of the chief insurance regulatory official of the company's state of domicile. Prior to that election, the company shall demonstrate to the satisfaction of the Commissioner that at least 20% of the business to be valued on this table is in one or more of the preferred classes.

(b) For each policy form with separate rates for preferred and standard nonsmokers, a company may use the Super Preferred Nonsmoker, Preferred Nonsmoker, and Residual Standard Nonsmoker Tables to substitute for the 2001 CSO Nonsmoker Mortality Tables as the minimum valuation standard. At the time of election and annually thereafter, except for business valued using the Residual Standard Nonsmoker Table, the company shall provide the Commissioner a certification from the appointed actuary of the following:

(1) For each class, the present value of death benefits over the next 10 years after the valuation date using anticipated mortality experience without recognition of mortality improvement beyond the valuation date is less than the present value of death benefits using the valuation basic table corresponding to the valuation table used for that class.

(2) For each class, 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 is less than the present value of death benefits using the valuation basic table corresponding to the valuation table used for that class.

(c) For each policy form with separate rates for preferred and standard smokers, a company may use the Preferred Smoker and Residual Standard Smoker Tables to substitute for the 2001 CSO Smoker Mortality Tables as the minimum valuation standard. At the time of election and annually thereafter for business valued using the Preferred Smoker Table, the company shall provide the Commissioner a certification from the appointed actuary of the following:

(1) The present value of death benefits over the next 10 years after the valuation date using anticipated mortality experience without recognition of mortality improvement beyond the valuation date is less than the present value of death benefits using the valuation basic table corresponding to the Preferred Smoker Table.

(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 is less than the present value of death benefits using the valuation basic table corresponding to the Preferred Smoker Table.

(d) When the 2001 CSO Preferred Class Structure Mortality Table is the minimum reserve standard for any policy form for a company, the actuarial opinion in the annual statement filed with the Commissioner shall be based on an asset adequacy analysis as specified in Chapter 84b (relating to actuarial opinion and memorandum). The Commissioner may exempt a company from this requirement if it only does business in this Commonwealth.

(e) Unless exempted by the Commissioner, every authorized company 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 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 chapter. 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.

(f) The use of the 2001 CSO Preferred Class Structure Table for the valuation of policies issued prior to January 1, 2007, is not 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 cases:

(1) When 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 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 would be refunded to the ceding entity upon the termination of the policy.

(2) When 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.

(g) For purposes of the conditions set forth in subsection (f), both the reserve credit and the gross reserve before reinsurance for the mean reserve method are defined as the mean reserve minus the deferred premium asset, and for the mid-terminal reserve method must include the unearned premium reserve. A company may estimate and adjust its accounting on an aggregate basis to meet the conditions to use the 2001 CSO Preferred Class Structure Table.

Source

The provisions of this § 84d.3a adopted December 1, 2006, effective December 2, 2006, 36 Pa.B. 7244; amended January 28, 2011, effective March 30, 2011, 41 Pa.B. 601. Immediately preceding text appears at serial pages (323714) to (323715).

§ 84d.4. Applicability of the 2001 CSO Mortality Table to Chapter 84c (relating to valuation of life insurance policies).

(a) The 2001 CSO Mortality Table shall be used in applying Chapter 84c (relating to valuation of life insurance policies) in the following manner, subject to the transition dates for use of the 2001 CSO Mortality Table in § 84d.3(a) (relating to 2001 CSO Mortality Table) and § 84d.3(b).

(1) The net level reserve premium referenced in § 84c.2(b)(2)(ii) (relating to applicability) shall be based on the ultimate mortality rates in the 2001 CSO Mortality Table.

(2) All calculations in § 84c.4(b)(1) (relating to segmented and unitary reserve methods) shall be made using the 2001 CSO Mortality Table. The value of “qx+k+t-1” is the valuation mortality rate for deficiency reserves in policy year k+t, but using the unmodified select mortality rates if modified select mortality rates are used in the computation of deficiency reserves.

(3) The basic reserves minimum standard in § 84c.5(a) (relating to general requirements for basic reserves and premium deficiency reserves) shall be the 2001 CSO Mortality Table.

(4) The deficiency reserves minimum standard in § 84c.5(b) shall be the 2001 CSO Mortality Table. If select mortality rates are used, they may be multiplied by X% for durations in the first segment, subject to the conditions specified in § 84c.5(b)(3)(i)—(ix). In demonstrating compliance with those conditions, the demonstrations may not combine the results of tests that utilize the 1980 CSO Mortality Table with those tests that utilize the 2001 CSO Mortality Table, unless the combination is explicitly required by regulation or necessary to be in compliance with relevant standards of practice as promulgated by the Actuarial Standards Board.

(5) The valuation mortality table used in determining the tabular cost of insurance in § 84c.6(c) (relating to minimum valuation standard for policies with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits (other than universal life policies)) shall be the ultimate mortality rates in the 2001 CSO Mortality Table.

(6) The calculations specified in § 84c.6(e)(4) shall use the ultimate mortality rates in the 2001 CSO Mortality Table.

(7) The calculations specified in § 84c.6(f)(4) shall use the ultimate mortality rates in the 2001 CSO Mortality Table.

(8) The net premiums referenced in § 84c.6(g)(2) shall be calculated using the ultimate mortality rates in the 2001 CSO Mortality Table.

(9) The 1-year valuation premium in § 84c.7(a)(1)(ii) (relating to minimum valuation standard for universal life insurance policies that contain provisions resulting in the ability of a policy owner to keep a policy in force over

a secondary guarantee period) shall be calculated using the ultimate mortality rates in the 2001 CSO Mortality Table.

(b) Nothing in this section expands the applicability of Chapter 84c to include life insurance policies exempted under § 84c.2(b).

Cross References

This section cited in 31 Pa. Code § 84d.3 (relating to 2001 CSO Mortality Table).

§ 84d.5. Gender-blended tables.

(a) For any ordinary life insurance policy delivered or issued for delivery in this Commonwealth on and after January 1, 2004, that utilizes the same premium rates and charges for male and female lives or is issued in circumstances when applicable law does not permit distinctions on the basis of gender, a mortality table that is a blend of the 2001 CSO Mortality Table (M) and the 2001 CSO Mortality Table (F) may, at the option of the company for each policy form, be substituted for the 2001 CSO Mortality Table as the minimum nonforfeiture standard. The blended tables may not be used as the minimum valuation standard.

(b) If blended tables are used as the minimum nonforfeiture standard, the company shall choose from among the blended tables developed by the American Academy of Actuaries CSO Task Force and adopted by the NAIC in December 2002.

Cross References

This section cited in 7 Pa. Code § 84d.1 (relating to purpose).

§ 84d.6. Permitted usage.

In and of itself, it is not a violation of the Unfair Insurance Practices Act (40 P. S. §§ 1171.1—1171.15) for a company to determine nonforfeiture benefits for the same type of policy of life insurance on both a sex-distinct and sex-neutral basis.

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