

LCB File No. R031-08

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

**PROPOSED REGULATION CONCERNING MORTALITY TABLES
USED IN THE VALUATION OF MINIMUM RESERVE LIABILITIES**

EXPLANATION – Matter in italics is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: §§ NRS 681B.120 and NRS 688A.325.

A REGULATION relating to the use of mortality tables that reflect differences in mortality between Preferred and Standard lives in determining minimum reserve liabilities.

Section 1. Chapter 688A.350 of NAC is hereby amended to read as follows:

Sec. 2. *“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.*

Sec. 3. *“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.*

Sec. 4. *“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.

Sec. 5. *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, 2008. 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.”*

Sec. 6. *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.*

Sec. 7. *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 basis 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.

Sec. 8. *Each insurer shall notify the commissioner of their intent to use the 2001 CSO Preferred Class Structure Mortality Table at least 90 days prior to the initial use of this table or within 30 days after the implementation date of this regulation, if later. This notification shall be in the form of an informational letter to the commissioner and directed to the attention of the Life and Health Section.*

The notification shall include the earliest valuation date for which the 2001 CSO Preferred Class Structure Mortality Table shall apply as well as such additional information as may be deemed necessary by the Commissioner.

Sec. 9. *The Communications and Disclosures required under actuarial guideline 42 adopted by the National Association of Insurance Commissioners shall be required commencing with the first valuation date that the 2001 CSO Preferred Class Structure Table is used for any plan of insurance by the insurer, and annually thereafter.*

Sec. 10. *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.*

Sec. 11 The effective date of this regulation is January 1, 2008.