

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R145-12

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

June 21, 2012

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 insurance; providing for the use of certain mortality tables adopted by the National Association of Insurance Commissioners to establish minimum reserve liabilities for certain policies of life insurance; and providing other matters properly relating thereto.

Section 1. Chapter 688A of NAC is hereby amended by adding thereto a new section to read as follows:

1. The use of the 2001 CSO Preferred Class Structure Table for the valuation of policies issued prior to January 1, 2008 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:

(a) 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:

(1) 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

(2) Would be refunded to the ceding entity upon the termination of the policy.

(b) 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.

2. For purposes of subsection 1, the reserve:

(a) For the mean reserve method, shall be defined as the mean reserve minus the deferred premium asset, and

(b) 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 set forth in NAC 688A.355, NAC 688A.357 and section 1 of this regulation.

Sec. 2. NAC 688A.325 is hereby amended to read as follows:

1. “2001 CSO Mortality Table” means the mortality table, consisting of separate rates of mortality for male and female lives, developed by the CSO Task Force of the American Academy of Actuaries from the 2001 Valuation Basic Mortality Table developed by the Individual Life Insurance Valuation Mortality Task Force of the Society of Actuaries and adopted by the National Association of Insurance Commissioners in December 2002. The 2001 CSO Mortality Table is set forth in the Proceedings of the NAIC (2nd Quarter 2002) and supplemented by the 2001 CSO Preferred Class Structure Mortality Table.

2. Unless the context otherwise requires, the 2001 CSO Mortality Table includes both the ultimate form of that table and the select and ultimate form of that table, 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. The mortality tables in the 2001 CSO Mortality Table include:

(a) A table which consists of the rates of mortality for female lives from the 2001 CSO Mortality Table;

(b) A table which consists of the rates of mortality for male lives from the 2001 CSO Mortality Table;

(c) Composite mortality tables, which consist of rates of mortality that do not distinguish between smokers and nonsmokers; and

(d) Smoker and nonsmoker mortality tables, which consist of separate rates of mortality for smokers and nonsmokers.

3. A *hardbound* copy of the *Proceedings of the NAIC (2nd Quarter 2002)*, which includes a copy of the 2001 CSO Mortality Table, may be obtained from the ~~Insurance Products and Services Division of the~~ National Association of Insurance Commissioners, ~~2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2662~~ *1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197*, or by telephone at (816) 783-8300 ~~for on the Internet at http://www.naic.org/store_home.htm,~~ for the price of *\$180 for domestic purchases and \$200 for international purchases. An electronic copy is also available from the National Association of Insurance Commissioners or on the Internet at www.naic.org for the price of \$70 for domestic purchases and \$80 for international purchases.*

Sec. 3. NAC 688A.327 is hereby amended to read as follows:

1. “2001 CSO Preferred Class Structure Mortality Table” means the mortality table with separate rates of mortality for super preferred nonsmokers, preferred nonsmokers, residual standard nonsmokers, preferred smokers and residual standard smokers which are splits of the 2001 CSO nonsmoker and smoker mortality tables as adopted by the National Association of Insurance Commissioners at the September 2006 national meeting and published in the Proceedings of the NAIC (3rd Quarter 2006).
2. Unless the context otherwise requires, 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, both the smoker and nonsmoker mortality tables, 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.
3. A *hardbound* copy of the *Proceedings of the NAIC (3rd Quarter 2006, which includes the 2001 CSO Preferred Class Structure Mortality Table*, may be obtained from the ~~Insurance Products and Services Division of the~~ National Association of Insurance Commissioners, ~~2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2662~~, *1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197*, or by telephone at (816) 783-8300 ~~for on the Internet at http://www.naic.org/store_home.htm,~~ for the price of *\$180 for domestic purchases and \$200 for international purchases. An electronic copy is also available from the National Association of Insurance Commissioners or on the Internet at www.naic.org for the price of \$70 for domestic purchases and \$80 for international purchases.*

Sec. 4. NAC 688A.350 is hereby amended to read as follows:

For the purposes of NRS 681B.120 and 688A.325 and NAC 681B.161 and 688A.320 to 688A.363, inclusive, and except as otherwise provided in this section, the Commissioner hereby

adopts by reference the Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation as adopted by the National Association of Insurance Commissioners on December 8, 2002, *and as periodically updated by that organization or successor organization.*

1. Any reference in the Model Regulation to:

(a) “Section 4A(c) of the Standard Valuation Law” shall be deemed a reference to “subparagraph (3) of paragraph (a) of subsection 2 of NRS 681B.120.”

(b) “Section 5cH(6) of the Standard Nonforfeiture Law for Life Insurance” shall be deemed a reference to “paragraph (f) of subsection 8 of NRS 688A.325.”

(c) The “Valuation of Life Insurance Policies Model Regulation” or “Valuation of Life Insurance Model Regulation” shall be deemed a reference to “NAC 681B.161.”

(d) “Section 8 of the NAIC Model Standard Valuation Law” shall be deemed a reference to “NRS 681B.150.”

(e) “Section 5A of the Actuarial Opinion and Memorandum Regulation” shall be deemed a reference to “NAC 681B.175.”

(f) An “unfair trade practices statute” shall be deemed a reference to “NRS 686A.100.”

3. An *electronic* copy of the Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation may be obtained from the ~~[Insurance Products and Services Division of the]~~ National Association of Insurance Commissioners, ~~[2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2662]~~ *1100 Walnut Street, Suite 1500 Kansas City, MO 64106-2197*, or on the Internet at www.naic.org for the price of ~~[\$50]~~ *\$75* ~~[and is available, free of charge, on the Internet at www.naic.org].~~

Sec. 5. NAC 688A.353 is hereby amended to read as follows:

1. Except as otherwise provided in subsection 2, at the election of the insurer, for each calendar year of issue and for any one or more specified plans of insurance, an insurer who satisfies the requirements of NAC 688A.355 to 688A.363, inclusive, may use the 2001 CSO Preferred Class Structure Mortality Table in lieu of the smoker and nonsmoker mortality tables in the 2001 CSO Mortality Table as the minimum valuation standard for policies of life insurance issued on or after January 1, 2008.

2. For policies issued on or after January 1, 2005, and prior to January 1, 2008, these tables may be substituted with the consent of the commissioner and subject to the conditions of NAC 688A.355, NAC 688A.357 and section 1 of this regulation. In determining such consent, the commissioner may rely on the consent of the commissioner of the company's state of domicile.

~~2.~~ 3. An insurer may make the election described in subsection 1 only if the insurer provides proof satisfactory to the Commissioner that 20 percent or more of the business to be valued pursuant to the 2001 CSO Preferred Class Structure Mortality Table is in one or more of the preferred classes.

~~3.~~ 4. A mortality table used pursuant to this section shall be deemed to be part of the 2001 CSO Mortality Table only for purposes of reserve valuation pursuant to the Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation adopted by reference pursuant to NAC 688A.350.