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**IDAPA 18
TITLE 01
CHAPTER 79**

**18.01.79 – RECOGNITION OF PREFERRED MORTALITY TABLES FOR USE
IN DETERMINING MINIMUM RESERVE LIABILITIES**

000. LEGAL AUTHORITY.

This rule is promulgated and adopted pursuant to the authority granted by Sections 41-211 and 41-612, Idaho Code. (4-2-08)

001. TITLE AND SCOPE.

01. Title. This rule shall be cited as IDAPA 18.01.79, “Recognition of Preferred Mortality Tables for Use in Determining Minimum Reserve Liabilities.” (4-2-08)

02. Scope. The purpose of this rule 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 Sections 41-612(4)(a)(iii), Idaho Code, and IDAPA 18.01.47, “Valuation of Life Insurance Policies Including the Introduction and Use of New Select Mortality Factors,” Subsections 005.01 and 005.02. (4-2-08)

002. WRITTEN INTERPRETATIONS.

In accordance with Section 67-5201(19)(b)(iv), Idaho Code, this agency may have written statements which pertain to the interpretation of the rules of the chapter, or to the documentation of compliance with the rules of this chapter. These documents will be available for public inspection and copying in accordance with the public records act. (4-2-08)

003. ADMINISTRATIVE APPEALS.

All administrative appeals shall be governed by Chapter 2, Title 41, Idaho Code, and the Idaho Administrative Procedure Act, Title 67, Chapter 52, Idaho Code, and IDAPA 04.11.01, “Idaho Rules of Administrative Procedure of the Attorney General.” (4-2-08)

004. INCORPORATION BY REFERENCE.

The Director of the Department of Insurance adopts by reference the 2001 CSO Preferred Class Mortality Tables. The tables are available on the Society of Actuaries website at <http://www.soa.org/research/experience-study/ind-life/tables/intl-2001-cso-preferred-class-structure-mortality-tables.aspx>. (4-2-08)

005. OFFICE – OFFICE HOURS – MAILING ADDRESS, STREET ADDRESS AND WEB SITE.

01. Office Hours. The Department of Insurance is open from 8 a.m. to 5 p.m. except weekends and legal holidays. (4-7-11)

02. Mailing Address. The department’s mailing address is: Idaho Department of Insurance, P.O. Box 83720, Boise, ID 83720-0043. (4-2-08)

03. Street Address. The principal place of business is 700 West State Street, 3rd Floor, Boise, Idaho 83720. (4-7-11)

04. Web Site Address. The Department’s website is <http://www.doi.idaho.gov> (4-2-08)

006. PUBLIC RECORDS ACT COMPLIANCE.

Any records associated with these rules are subject to the provisions of the Idaho Public Records Act, Title 74, Chapter 1, Idaho Code. (4-2-08)

007. -- 009. (RESERVED)

010. DEFINITIONS.

01. 2001 CSO Mortality Table. 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 National Association of Insurance Commissioners (“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 010.02. 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: (4-2-08)

- a.** 2001 CSO Mortality Table (F). Mortality table consisting of the rates of mortality for female lives from the 2001 CSO Mortality Table. (4-2-08)
- b.** 2001 CSO Mortality Table (M). Mortality table consisting of the rates of mortality for male lives from the 2001 CSO Mortality Table. (4-2-08)
- c.** Composite Mortality Tables. Mortality tables with rates of mortality that do not distinguish between smokers and nonsmokers. (4-2-08)
- d.** Smoker and Nonsmoker Mortality Tables. Mortality tables with separate rates of mortality for smokers and nonsmokers. (4-2-08)

02. 2001 CSO Preferred Class Structure Mortality Table. Those 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. (4-2-08)

03. Statistical Agent. 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. (4-2-08)

011. 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 January 1, 2004, and prior to January 1, 2007, these tables may be substituted with the consent of the Director and subject to the conditions of Section 012 of this chapter. In determining such consent, the Director 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 (20%) of the business to be valued on this table is in one (1) 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 IDAPA 18.01.59, “Recognition of the 2001 CSO Mortality Table For Use In Determining Minimum Reserve Liabilities And Nonforfeiture Benefits.” (4-7-11)

012. CONDITIONS.

01. Preferred Nonsmoker and Residual Standard Nonsmoker Tables. 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: (4-2-08)

a. 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. (4-2-08)

b. 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. (4-2-08)

02. Preferred Smoker and Residual Standard Smoker Tables. 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: (4-2-08)

a. 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. (4-2-08)

b. 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. (4-2-08)

03. Unless Exempted By the Director. Every authorized insurer using the 2001 CSO Preferred Class Structure Table shall annually file with the director, with the NAIC, or with a statistical agent designated by the NAIC and acceptable to the director, statistical reports showing mortality and such other information as the director may deem necessary or expedient for the administration of the provisions of this regulation. The form of the reports shall be established by the director or the director may require the use of a form established by the NAIC or by a statistical agent designated by the NAIC and acceptable to the director. (4-2-08)

04. Reserve Credit for Policies Issued Prior to January 1, 2007. 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: (4-7-11)

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 (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. (4-7-11)

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. (4-7-11)

05. Reserve Method. For the purposes of the condition specified in Subsection 012.04 of this rule, 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. (4-7-11)

013. -- 999. (RESERVED)

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