

## **DEPARTMENT OF INSURANCE**

Statutory Authority: 18 Delaware Code, Sections 312 and 1113;  
(18 Del.C. §311, §1113)  
18 DE Admin. Code 1215

### **FINAL**

### **ORDER**

#### **1215 Recognition of Preferred Mortality Tables for use in Determining Minimum Reserve Liabilities**

Proposed changes to Regulation 1215 relating to Recognition of Mortality Tables for use in Determining Minimum Reserve Liabilities were published in the *Delaware Register of Regulations* on March 1, 2009. The comment period remained open until April 6, 2009. There was no public hearing on the proposed changes to Regulation 1215. Public notice of the proposed changes to Regulation 1215 in the *Register of Regulations* was in conformity with Delaware law.

#### **Summary of the Evidence and Information Submitted**

Comment was received from the American Council of Life Insurers. The comment commended the Department for proposing the amendments and had no suggested changes.

#### **Findings of Fact**

Based on Delaware law and the record in this docket, I make the following findings of fact:

The requirements of the amended Regulation 1215 best serve the interests of the public and of insurers and comply with Delaware law.

#### **Decision and Effective Date**

Based on the provisions of 18 Del.C. §§311, 1113 and 29 Del. C. §§ 10119 and the record in this docket, I hereby adopt Regulation 1215 as amended and as may more fully and at large appear in the version attached hereto to be effective ten days after publication on the Register of Regulations.

#### **Text and Citation**

The text of the proposed amendments to Regulation 1215 last appeared in the *Register of Regulations* Vol. 12, Issue 9, pages 1147-1149.

**IT IS SO ORDERED** this 3rd day of August 2009.

Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

#### **1215 Recognition of Preferred Mortality Tables for use in Determining Minimum Reserve Liabilities**

#### **1.0 Authority**

- 1.1 This regulation is promulgated by the Commissioner of Insurance pursuant to 18 **Del.C.** §§311 and 1113 and Sections 5.1 and 5.2 of 18 **DE Admin. Code** 1212 (referred to as “Regulation 1212”).

## 2.0 Purpose

- 2.1 The purpose of this regulation 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 18 **Del.C.** §§311 and 1113 and Sections 5.1 and 5.2 of Regulation 1212.

## 3.0 Definitions

“**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. 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.

“**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 {3<sup>rd</sup> 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.

“**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.

## 4.0 2001 CSO Preferred Class Structure Table

- 4.1 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, or with the consent of the Commissioner, January 1, 2004. 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."

## **5.0 Conditions**

- 5.1 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:
  - 5.1.1 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.
  - 5.1.2 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.
- 5.2 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:
  - 5.2.1 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.
  - 5.2.2 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.
- 5.3 Unless exempted by the commissioner, every authorized insurer using the 2001 CSO Preferred Class Structure 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 regulation. 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.

## **6.0 Separability**

- 6.1 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.

## **7.0 Effective Date**

- 7.1 The effective date of this regulation shall be ~~February 11, 2007~~ 10 days after execution by the Commissioner and effective for valuations on and after December 31, 2008.

**10 DE Reg. 1306 (02/01/07)**

**13 DE Reg. 410 (09/01/09) (Final)**