

Regulatory Analysis Form

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REGULATORY
REVIEW COMMISSION

(1) Agency

Insurance Department

(2) I.D. Number (Governor's Office Use)

11-181

Cocodrilli

IRRC Number: 1983

(3) Short Title

Tables Approved For Use in Determining Minimum Nonforfeiture Standards and Minimum Standards for Valuation

(4) PA Code Cite

31 Pa. Code, Chapter 84, §§84.1-84.6

(5) Agency Contacts & Telephone Numbers

Primary Contact: Peter J. Salvatore, Regulatory Coordinator,
1326 Strawberry Square, Harrisburg, PA 17120, (717) 787-4429
Secondary Contact:

(6) Type of Rulemaking (check one)

- Proposed Rulemaking
 Final Order Adopting Regulation
 Final Order, Proposed Rulemaking Omitted

(7) Is a 120-Day Emergency Certification Attached?

- No
 Yes: By the Attorney General
 Yes: By the Governor

(8) Briefly explain the regulation in clear and nontechnical language.

The purpose of the amendments to Chapter 84 is to adopt new mortality tables for use in determining the minimum reserves for annuities.

(9) State the statutory authority for the regulation and any relevant state or federal court decisions.

Sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P.S. §§ 66,186,144 and 412);
 Section 301(c)(1) of The Insurance Department Act of 1921 (40 P.S. §71(c)(1) and Section 410F(e)(8)(F))
 of The Insurance Department Act of 1921 (40 P.S. §510.1(e)(8)(F)).

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(10) Is the regulation mandated by any federal or state law or court order, or federal regulation? If yes, cite the specific law, case or regulation, and any deadlines for action.

No

(11) Explain the compelling public interest that justifies the regulation. What is the problem it addresses?

The amendments to Chapter 84 assure that annuity reserves established by insurers are adequate. Requiring that the new mortality tables be used in determining the minimum reserves for annuities will help to assure that insurers issuing annuity contracts will continue to be solvent.

(12) State the public health, safety, environmental or general welfare risks associated with nonregulation.

There are no public health, safety, environmental or general welfare risks associated with this rulemaking.

(13) Describe who will benefit from the regulation. (Quantify the benefits as completely as possible and approximate the number of people who will benefit.)

Residents of this Commonwealth who purchase annuity contracts will benefit from the rulemaking in that insurers issuing annuity contracts will be required to establish adequate reserves to assure payment of future annuity benefits. The Commonwealth and life insurers will benefit in that the establishment of adequate reserves will help to assure the solvency of all life insurance companies

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(14) Describe who will be adversely affected by the regulation. (Quantify the adverse effects as completely as possible and approximate the number of people who will be adversely affected.)

There will be no adverse effects on any party as a result of the adoption of new mortality tables for use in determining minimum reserves. Life insurers will benefit in that the establishment of adequate reserves will help to assure the solvency of all life insurance companies. However, life insurers marketing annuity contracts will be required to expend the time necessary to determine if their current annuity reserve standards meet the new requirements. To the extent that the standards do not comply with the new requirements, insurers will be required to increase the reserves for contracts issued on or after the effective date of the amendment to Chapter 84.

(15) List the persons, groups or entities that will be required to comply with the regulation. (Approximate the number of people who will be required to comply.)

All life insurance companies issuing annuity contracts in the Commonwealth.

(16) Describe the communications with and input from the public in the development and drafting of the regulation. List the persons and/or groups who were involved, if applicable.

In developing this rulemaking, the Department solicited comments from the Insurance Federation of Pennsylvania and the American Council of Life Insurance. Both parties are in support of the revisions to Chapter 84.

(17) Provide a specific estimate of the costs and/or savings to the regulated community associated with compliance, including any legal, accounting or consulting procedures which may be required.

There will be no immediate cost or savings effect associated with compliance.

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(18) Provide a specific estimate of the costs and/or savings to local governments associated with compliance, including any legal, accounting or consulting procedures which may be required.

There are no costs or savings to local governments associated with this proposed rulemaking since it will impose no compliance requirements on them.

(19) Provide a specific estimate of the costs and/or savings to state government associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required.

There are no costs or savings to state government associated with this rulemaking because it does not impose additional requirements on the insurance industry which the Department must monitor for compliance.

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(20) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years. N/A

	Current FY Year	FY +1 Year	FY +2 Year	FY +3 Year	FY +4 Year	FY +5 Year
SAVINGS:	\$	\$	\$	\$	\$	\$
Regulated Community						
Local Government						
State Government						
Total Savings						
COSTS:						
Regulated Community						
Local Government						
State Government						
Total Costs						
REVENUE LOSSES:						
Regulated Community						
Local Government						
State Government						
Total Revenue Losses						

(20a) Explain how the cost estimates listed above were derived.

N/A

Regulatory Analysis Form

(20b) Provide the past three year expenditure history for programs affected by the regulation.

N/A

Program	FY -3	FY -2	FY -1	Current FY

(21) Using the cost-benefit information provided above, explain how the benefits of the regulation outweigh the adverse effects and costs.

No costs or adverse effects are anticipated as a result of the regulation.

(22) Describe the nonregulatory alternatives considered and the costs associated with those alternatives. Provide the reasons for their dismissal.

No other nonregulatory alternatives were considered since the statute requiring reserves provides for the adoption of new annuity mortality tables by regulation.

(23) Describe alternative regulatory schemes considered and the costs associated with those schemes. Provide the reasons for their dismissal.

No other regulatory schemes were considered since the amendment of Chapter 84 is the most efficient way to adopt the new annuity mortality tables.

Regulatory Analysis Form

(24) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulation.

No.

(25) How does this regulation compare with those of other states? Will the regulation put Pennsylvania at a competitive disadvantage with other states?

At the present time, one other state has adopted the new annuity mortality tables. Pennsylvania's adoption of the new annuity tables will not put Pennsylvania at a competitive disadvantage with other states. It will place Pennsylvania in a more competitive situation because the establishment of adequate reserves will help to assure the solvency of all Pennsylvania life insurance companies.

(26) Will the regulation affect existing or proposed regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

The rulemaking will not affect existing or proposed regulations of the Department or other state agencies.

(27) Will any public hearings or informational meetings be scheduled? Please provide the dates, times, and locations, if available.

No public hearings or informational meetings are anticipated.

Regulatory Analysis Form

(28) Will the regulation change existing reporting, record keeping, or other paperwork requirements? Describe the changes and attach copies of forms or reports which will be required as a result of implementation, if available.

The rulemaking does not change existing reporting, record keeping or other paperwork requirements.

(29) Please list any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, elderly, small businesses, and farmers.

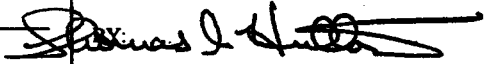
The rulemaking will have no effect on the special needs of affected parties.

(30) What is the anticipated effective date of the regulation; the date by which compliance with the regulation will be required; and the date by which any required permits, licenses or other approvals must be obtained?

The rulemaking will take effect upon final approval by the Office of Attorney General, the legislative standing committees and the Independent Regulatory Review Commission and upon final publication in the Pennsylvania Bulletin.

(31) Provide the schedule for continual review of the regulation.

The Department reviews each of its regulations for continued effectiveness on a triennial basis.

<p>CDL-1</p> <p style="text-align: center;">FACE SHEET FOR FILING DOCUMENTS WITH THE LEGISLATIVE REFERENCE BUREAU</p> <p style="text-align: center;">(Pursuant to Commonwealth Documents Law)</p> <p style="text-align: center;"># 1983</p>	<p style="text-align: center;">RECEIVED</p> <p style="text-align: center;">99 APR 28 PM 4:24</p> <p style="text-align: center;">LEGISLATIVE COUNCIL REVIEW COMMISSION</p> <p style="text-align: center;">DO NOT WRITE IN THIS SPACE</p>	
<p>Copy below is hereby approved as to form and legality. Attorney General</p> <p>By _____ (Deputy Attorney General)</p> <p>_____ Date of Approval</p> <p>Q Check if applicable. Copy not approved. Objections attached.</p>	<p>Copy below is hereby certified to be a true and correct copy of a document issued, prescribed or promulgated by:</p> <p style="text-align: center;"><u>Insurance Department</u> (AGENCY) </p> <p>DOCUMENT/FISCAL NOTE NO. <u>11-181</u></p> <p>DATE OF ADOPTION: _____</p> <p>BY: <u>M. Diane Koken</u></p> <p style="text-align: center;">M. Diane Koken TITLE: <u>Insurance Commissioner</u> (EXECUTIVE OFFICER, CHAIRMAN OR SECRETARY)</p>	<p>Copy below is hereby approved as to form and legality. Executive or Independent Agencies</p> <p style="text-align: center;"><u>4/26/99</u> DATE OF APPROVAL</p> <p style="text-align: center;">(DEPUTY GENERAL COUNSEL) (CHIEF COUNSEL, INDEPENDENT AGENCY) (STRIKE INAPPLICABLE TITLE)</p> <p>Q Check if applicable. No Attorney General approval or objection within 30 days after submission.</p>

NOTICE OF FINAL RULEMAKING

INSURANCE DEPARTMENT

31 Pa. Code, Chapter 84, §§84.1 - 84.6

TABLES APPROVED FOR USE IN DETERMINING
MINIMUM NONFORFEITURE STANDARDS AND
MINIMUM STANDARDS FOR VALUATION

PREAMBLE

The Insurance Department (Department) hereby amends Chapter 84, Tables Approved For Use In Determining Minimum Nonforfeiture Standards and Minimum Standards for Valuation, as set forth in annex A.

The amendments to Chapter 84 of Title 31 of the Pennsylvania Code adopt new mortality tables for use in determining the minimum reserves for annuities. These new minimum standards apply to annuities issued on or after the effective date of the amendment of this chapter. The mortality tables are based on historical experience and have been developed by the Society of Actuaries. In December 1996, the National Association of Insurance Commissioners adopted the proposed mortality tables as part of its Model Rule (Regulation) For Recognizing A New Annuity Mortality Table For Use In Determining Reserve Liabilities For Annuities. The Department's adoption of the mortality tables will help to assure the solvency of insurance companies by requiring adequate reserves based on the most recent mortality tables.

Statutory Authority

The regulation is adopted under the authority of sections 206, 506, 1501, 1502 of The Administrative Code of 1929 (71 P.S. §§ 66, 186, 411, 412), section 301(c)(1) of The Insurance Department Act of 1921 (30 P.S. §71(c)(1)) and section 410F (e)(8)(F) of The Insurance Company Law (40 P.S. §510.1(e)(8)(F)).

Comments

Notice of proposed rulemaking was published at 28 Pa.B. 39 (September 26, 1998) with a 30-day public comment period.

No comments were received from the standing committees. The Insurance Federation of Pennsylvania, representing a substantial portion of the life insurance industry operating in Pennsylvania, has endorsed the revisions set forth in the proposed rulemaking. On November 25, 1998, the Independent Regulatory Review Commission reviewed the regulation and had no objections, comments or suggestions to offer on this regulation.

Persons Regulated

This rulemaking applies to life insurance companies marketing annuity contracts in this Commonwealth.

Fiscal impact

State Government

There will be no increase in cost to the Department due to the adoption of new annuity tables since the proposed rulemaking does not impose additional requirements on the insurance industry which the Department must monitor for compliance.

General Public

It is unlikely that there will be any adverse fiscal impact on the consumers who purchase annuity contracts. The general public will be purchasing annuity contracts from more financially stable insurers.

Political Subdivisions

The rulemaking will strengthen the solvency requirements of insurance companies issuing annuity contracts. Increasing insurance company solvency requirements has the potential to minimize insurance company insolvencies which could result in less erosion of the tax base since insurers pay premium taxes on premium income and pay salaries which are taxed.

Private Sector

The rulemaking may have some fiscal impact on insurance companies marketing annuity contracts. Insurers will be required to expend the time necessary to determine if their current annuity reserve standards meet the new requirements. To the extent that the standards do not comply with the new requirements, an insurance company must increase the reserves for contracts issued on or after the effective date of the amendment to Chapter 84.

Paperwork

The adoption of this rulemaking will not impose additional paperwork on the Department and the insurance industry. The rulemaking provides for the use of additional mortality tables and does not impose additional requirements resulting in additional paperwork.

Contact person

Any questions regarding this regulation, should be directed to Peter J. Salvatore, Regulatory Coordinator, Office of Special Projects, 1326 Strawberry Square, Harrisburg, PA 17120, phone (717) 787-4429, or e-mail psalvato@ins.state.pa.us.

Regulatory review

Under section 5(a) of the Regulatory Review Act, (71 P.S. §745.5(a)), the agency submitted a copy of this regulation on September 14, 1998 to the Independent Regulatory Review Commission and to the Chairmen of the House Insurance Committee and the Senate Banking and Insurance Committee. In addition to the submitted regulation, the agency has provided the Commission and the Committees with a copy of a detailed Regulatory Analysis Form prepared by the agency in compliance with Executive Order 1996-1, "Regulatory Review and Promulgation." A copy of that material is available to the public upon request.

In preparing this final form regulation, the Department considered all comments received from IRRC, the Committees and the public. This final form regulation was (deemed) approved by the House and Senate Committees on _____. In accordance with section 5a(d) of the Regulatory Review Act (71 P.S. §745.5a(d)), IRRC met on _____ and (deemed) approved the regulation in accordance with section 5a(e) of the Regulatory Review Act (71 P.S. §745.5a(e)).

Findings

The Commissioner finds that:

(1) Public notice of intention to adopt this rulemaking as amended by this order has been given under sections 201 and 202 of the act of July 31, 1968 (P.L. 769, No240) (45 P.S. §§1201 and 1202) and the regulations thereunder, 1 Pa. Code §§7.1 and 7.2.

(2) The adoption of this rulemaking in the manner provided in this order is necessary and appropriate for the administration and enforcement of the authorizing statutes.

Order

The Commissioner, acting under the authorizing statutes, orders that:

(a) The regulations of the Department, 31 Pa. Code, are amended by adopting §§84.1-84.6, to read as set forth in Annex A.

- (b) The Commissioner shall submit this order and Annex A to the Office of General Counsel and Office of Attorney General for approval as to form and legality as required by law.
- (c) The Commissioner shall certify this order and Annex A and deposit them with the Legislative Reference Bureau as required by law.
- (d) The regulation adopted by this order shall take effect upon final publication in the *Pennsylvania Bulletin*.

**M. Diane Koken
Insurance Commissioner**

CONTINUATION SHEET FOR FILING DOCUMENTS
WITH THE LEGISLATIVE REFERENCE BUREAU
(Pursuant to Commonwealth Documents Law)

ANNEX A

Title 31. Insurance. Chapter 84. Tables Approved For Use In Determining Minimum Nonforfeiture Standards and Minimum Standards For Valuation.

Sec.

84.1. Purpose.

84.2. Definitions.

84.3. 1983 Table ["a."] "a. Annuity 2000 Mortality Table, 1983 GAM Table and 1994 GAR Table.

84.4. [1983 GAM Table] Reserved.

84.5. 1980 CSO and 1980 CET tables, including Smoker and Nonsmoker Tables, with Mortality Rates Independent of Sex.

84.6. 1980 CSO and 1980 CET Smoker and Nonsmoker Mortality Tables.

§84.1. Purpose.

This chapter is to implement section 301(c)(1) of the act (40 P.S. §71(c)(1)) and section 410A(e)(8)(F) of the law (40 P.S. §510.1(e)(8)(F)) which authorize the Commissioner to promulgate regulations specifying tables adopted after 1980 by the NAIC for use in determining minimum nonforfeiture standards and minimum standards for valuation.

§84.2. 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 one thousand nine hundred and twenty-one (40 P.S. §§1-321).

Annuity 2000 Mortality Table - The mortality table developed by the Society of Actuaries Committee on Life Insurance Research and shown on page 240 of Volume XLVII of the Transactions of the Society of Actuaries (1995) and adopted as a recognized mortality table for annuities in December 1996 by the NAIC.

Commissioner - The Insurance Commissioner of the Commonwealth.

Department- The Insurance Department of the Commonwealth.

Law - The Insurance Company Law of 1921 (40 P.S. §§341-001).

NAIC - The National Association of Insurance Commissioners.

1983 Table "a" - The mortality table developed by the Society of Actuaries Committee to Recommend a New Mortality Basis for Individual Annuity Valuation and adopted as a recognized mortality table for annuities in June 1982 by the NAIC.

1983 GAM Table - The mortality table developed by the Society of Actuaries Committee on Annuities and adopted as a recognized mortality table for annuities in December 1983 by the NAIC.

1994 GAR Table - The mortality table developed by the Society of Actuaries Group Annuity Valuation Table Task Force and shown on pages 866-867 of volume XLVII of the Transactions of the Society of Actuaries (1995) and adopted as a recognized mortality table for annuities in December 1996 by the NAIC.

§84.3. [1983 Table "a."] 1983 Table "a," Annuity 2000 Mortality Table, 1983 GAM Table and 1994 GAR Table.

(a) The 1983 Table ["a"] "a," the Annuity 2000 Mortality Table excluding mortality rates independent of sex, the 1983 GAM Table and the 1994 GAR Table [was adopted as a recognized mortality table for annuities in June 1982 by the NAIC] are approved by the Commissioner as annuity mortality tables for valuation.

(b) [The 1983 Table "a" is approved by the Commissioner.]
At the option of the company, [it] the 1983 Table "a" may be used [for the purpose of] in determining the minimum standard of valuation for an individual annuity or pure endowment contract issued prior to January 1, 1986 and for an annuity or pure endowment purchased prior to January 1, 1986 under a group annuity or pure endowment contract.

(c) The 1983 Table "a," or [a modification of this table approved by the Commissioner,] the Annuity 2000 Mortality Table excluding mortality rates independent of sex shall be used in determining the minimum standard of valuation for an individual annuity or pure endowment contract issued on or after January 1, 1986 and prior to the effective date of the amendment of this chapter.

(d) The Annuity 2000 Mortality Table excluding mortality rates independent of sex shall be used, except as provided by subsection (e), in determining the minimum standard of valuation for an individual annuity or pure endowment contract issued on or after the effective date of the amendment of this chapter.

(e) The 1983 Table "a" shall be used in determining the minimum standard of valuation for an individual annuity or pure endowment contract issued on or after the effective date of the amendment of this chapter, when the contract is based on life contingencies and is issued to fund periodic benefits arising from:

(1) Settlements of claims pertaining to court settlements or out of court settlements from tort actions.

(2) Settlements of claims, such as worker's compensation claims.

(3) Settlements of long term disability claims where a temporary or life annuity has been used in lieu of continuing disability payments.

(f) At the option of the company, the 1983 GAM Table or the 1994 GAR Table may be used in determining the minimum standard of valuation for an annuity or pure endowment purchased prior to January 1, 1986 under a group annuity or pure endowment contract.

(g) The 1983 GAM Table or the 1994 GAR Table shall be used in determining the minimum standard of valuation for an annuity or pure endowment purchased on or after January 1, 1986 and prior to the effective date of the amendment of this chapter under a group annuity or pure endowment contract.

(h) 1994 GAR Table.

(1) The 1994 GAR Table shall be used in determining the minimum standard of valuation for an annuity or pure endowment purchased on or after the effective date of the amendment of this chapter under a group annuity or pure endowment contract.

(2) In using the 1994 GAR Table, the mortality rate for a person age x in year (1994 + n) shall be calculated as follows:

$$q_x^{1994+n} = q_x^{1994} (1-AA_x)^n$$

where the values of q_x^{1994} and AA_x are as specified in the 1994 GAR Table.

[§84.4. 1983 GAM table] Reserved.

[(a) The 1983 GAM Table was adopted as a recognized mortality table for annuities in December 1983 by the NAIC.

(b) The 1983 GAM Table is approved by the Commissioner. At the option of the company, it may be used for the purpose of determining the minimum standard of valuation for an annuity or pure endowment purchased under a group annuity or pure endowment contract.

(c) The 1983 GAM Table, or a modification of this table approved by the Commissioner, shall be used in determining the minimum standard of valuation for an annuity or pure endowment purchased on or after January 1, 1986, under a group annuity or pure endowment contract.]

§84.5. 1980 CSO and 1980 CET Tables, including Smoker and NonSmoker Tables, with Mortality rates Independent of Sex.

(a) Tables designated 1980 CSO-A, 1980 CSO-B, 1980 CSO-C, 1980 CSO-D, 1980 CSO-E, 1980 CSO-F, and CSO-G, with or without Ten-Year Select Mortality Factors, were adopted as recognized mortality tables for life insurance in December 1983 by the NAIC.

(b) Tables designated 1980 CET-A, 1980 CET-B, 1980 CET-C, 1980 CET-D, 1980 CET-E, 1980 CET-F, and 1980 CET-G, were adopted as recognized mortality tables for life insurance in December 1983 by the NAIC.

(c) The tables mentioned in subsection (a) are approved by the commissioner for use in determining the minimum nonforfeiture standard for policies of ordinary insurance issued on or after the operative date of section 410A(e) of the law (40 P.S. §510.1(e)). The tables mentioned

in subsection (a) may, at the option of the company, be substituted for the Commissioner's 1980 Standard Ordinary Mortality Table, with or without Ten-Year Select Mortality Factors, under section 410A(e)(8)(F) of the law. They are not approved by the Commissioner for use in determining the minimum standard of valuation for policies.

(d) The tables mentioned in subsection (b) are approved by the Commissioner for use in determining the minimum nonforfeiture standard for policies of ordinary insurance issued on or after the operative date of section 410A(e) of the law. The tables mentioned in subsection (b) may, at the option of the company, be substituted for the Commissioner's 1980 Extended Term Insurance Table under section 410A(e)(8)(F) of the law. If a company elects to use a particular table mentioned in subsection (b) for paid up term insurance with accompanying pure endowment, if any, for a particular policy form, the corresponding table mentioned in subsection (a) shall be used as the minimum nonforfeiture standard for the rest of the same policy form (for example, 1980 CSO-D with 1980 CET-D). These tables are not approved by the Commissioner for use in determining the minimum standard of valuation for the policies.

(e) Tables designated 1980 CSO-SA, 1980 CSO-SB, 1980 CSO-SC, 1980 CSO-SD, 1980 CSO-SE, 1980 CSO-SF, 1980 CSO-SG, 1980 CSO-NA, 1980 CSO-NB, 1980 CSO-NC, 1980 CSO-ND, 1980 CSO-NE, 1980 CSO-NF AND 1980 CSO-NG were adopted as recognized mortality tables for life insurance in December 1986 by the NAIC.

(f) Tables designated 1980 CET-SA, 1980 CET-SB, 1980 CET-SC, 1980 CET-SD, 1980 CET-SE, 1980 CET-SF, 1980 CET-SG, 1980 CET-NA, 1980 CET-NB, 1980 CET-NC, 1980 CET-ND, 1980 CET-NE, 1980 CET-NF AND 1980 CET-NG were adopted as recognized mortality tables for life insurance in December 1986 by the NAIC.

(g) For a policy form with separate rates for smokers and nonsmokers, the tables mentioned in subsection (e), in addition to the tables mentioned in subsection (a), are approved by the Commissioner for use in determining the minimum nonforfeiture standard for policies of ordinary insurance issued on or after the operative date of section 410A(e) of the law. The tables mentioned in subsections (a) or (e) may, at the option of the company, be substituted for the Commissioner's 1980 Standard Ordinary Mortality Table, with or without Ten-Year Select Mortality Factors, under section 410A(e)(8)(F) of the law. They are not approved by the Commissioner for use in determining the minimum standard of valuation for policies.

(h) For a policy form with separate rates for smokers and nonsmokers, the tables mentioned in subsection (f), in addition to the tables mentioned in subsection (b), are approved by the Commissioner for use in determining the minimum nonforfeiture standard for policies of

ordinary insurance issued on or after the operative date of section 410A(e) of the law. The tables mentioned in subsection (b) or (f) may, at the option of the company, be substituted for the Commissioner's 1980 Extended Term Insurance Table under section 410A(e)(8)(F) of the law. If a company elects to use a particular table mentioned in subsection (b) or (f) for paid up term insurance with accompanying pure endowment, if any, for a particular policy form, the corresponding table mentioned in subsection (a) or (e) shall be used as the minimum nonforfeiture standard for the rest of the same policy form (for example, 1980 CSO-SD with 1980 CET-SD). These tables are not approved by the Commissioner for use in determining the minimum standard of valuation for the policies.

§84.6. 1980 CSO and 1980 CET Smoker and Nonsmoker Mortality Tables.

(a) The 1980 CSO Smoker and Nonsmoker Mortality Tables, with or without Ten-Year Select Mortality Factors, and the 1980 CET Smoker and Nonsmoker Mortality Tables were adopted as recognized mortality tables for life insurance in December 1983 by the NAIC.

(b) The Commissioners 1980 Standard Ordinary Mortality Table with or without Ten-Year Select Mortality Factors and the Commissioners 1980 Extended Term Insurance Table are tables prescribed for use in determining the minimum nonforfeiture standard and the minimum standard of valuation of certain policies in section 410A of the law (40 P.S. §510.1) and sections 301 and 303 of the act (40 P.S. §§71 and 73).

(c) Subject to the conditions in subsection (d), the tables mentioned in subsection (a) are approved by the Commissioner for use in determining the minimum nonforfeiture standard and the minimum standard of valuation for policies of ordinary insurance issued on or after the operative date of section 410A(e) of the law (40 P.S. §510.1(e)). In determining the minimum nonforfeiture standard and the minimum standard of valuation for the policies, and subject to the conditions in subsection (d), the company at its option may make the following substitutions:

(1) The 1980 CSO Smoker and Nonsmoker Mortality Tables, with or without Ten-Year Select Mortality Factors, may be substituted for the Commissioners 1980 Standard Ordinary Mortality Table, with or without Ten-Year Select Mortality Factors.

(2) The CET Smoker and Nonsmoker Mortality Tables may be substituted for the Commissioners 1980 Extended Term Insurance Table.

(d) For a policy form with separate rates for smokers and nonsmokers, a company may use the tables in one of the following ways:

(1) Those mentioned in subsection (b) to determine the minimum nonforfeiture standard and the minimum standard for valuation.

(2) Those mentioned in subsection (b) to determine the minimum nonforfeiture standard and the minimum reserves required by section 301 of the act (40 P.S. §71) without regard to section 303 of the act (40 P.S. §73) and those mentioned in subsection (a) as the minimum valuation standard of mortality to determine the minimum reserves required by section 303 of the act (40 P.S. §73).

(3) Those mentioned in subsection (a) to determine the minimum nonforfeiture standard and the minimum standard of valuation.



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

**OFFICE OF SPECIAL PROJECTS
1326 Strawberry Square
Harrisburg, PA 17120**

**Phone: (717) 787-4429
Fax: (717) 705-3873
E-mail: psalvato@ins.state.pa.us**

April 28, 1999

Mr. Robert Nyce
Executive Director
Independent Regulatory Review Comm.
333 Market Street
Harrisburg, PA 17120

Re: Insurance Department Final
Form Regulation No. 11-181,
Tables Approved for Use in
Determining Minimum
Nonforfeiture Standards and
Minimum Standards for
Valuation

Dear Mr. Nyce:

Pursuant to Section 5a(c) of the Regulatory Review Act, enclosed for your review and approval is final form regulation 31 Pa. Code, Chapter 84, Tables Approved for Use in Determining Minimum Nonforfeiture Standards and Minimum Standards for Valuation

The amendments to Chapter 84 adopt new mortality tables for use in determining the minimum reserves for annuities. These new minimum standards apply to annuities issued on or after the effective date of the amendment of this chapter. The mortality tables are based on historical experience and have been developed by the Society of Actuaries. In December 1996, the National Association of Insurance Commissioners adopted the proposed mortality tables as part of its Model Rule (Regulation) For Recognizing A New Annuity Mortality Table For Use In Determining Reserve Liabilities For Annuities. The Department's adoption of the mortality tables will help to assure the solvency of insurance companies by requiring adequate reserves based on the most recent mortality tables.

.If you have any questions regarding this matter, please contact me at (717) 787-4429.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Peter J. Salvatore".

Peter J. Salvatore
Regulatory Coordinator

**TRANSMITTAL SHEET FOR REGULATIONS SUBJECT TO THE
REGULATORY REVIEW ACT**

RECEIVED

I.D. NUMBER: 11-181

99 APR 28 PM 4: 24

SUBJECT: Tables Approved for Use in Determining Minimum nonforfeiture Standards and Minimum Standards for Valuation

INDEPENDENT REGULATORY
REVIEW COMMISSION

AGENCY: DEPARTMENT OF INSURANCE

TYPE OF REGULATION

Proposed Regulation

X Final Regulation

Final Regulation with Notice of Proposed Rulemaking Omitted

120-day Emergency Certification of the Attorney General

120-day Emergency Certification of the Governor

Delivery of Tolled Regulation

a. With Revisions b. Without Revisions

FILING OF REGULATION

DATE

SIGNATURE

DESIGNATION

4/28/99 Sheila Carlant

HOUSE COMMITTEE ON INSURANCE

4/28/99 Denise Patton

SENATE COMMITTEE ON BANKING & INSURANCE

4/28/99 Kern C. Garner

INDEPENDENT REGULATORY REVIEW COMMISSION

ATTORNEY GENERAL

LEGISLATIVE REFERENCE BUREAU