

# Regulatory Analysis Form

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INDEPENDENT REGULATORY  
REVIEW COMMISSION

(1) Agency

Insurance Department

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

11-218

IRRC Number: 2351

(3) Short Title

Recognition of the 2001 CSO Mortality Table For Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits

(4) PA Code Cite

31 Pa. Code, Chapter 84d, §§84d.1-84d.5

(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.

Section 301(c)(1) of The Insurance Department Act of 1921 (40 P.S. §71(c)(1), section 410A(e)(8)(F)) of The Insurance Department Act of 1921 (40 P.S. §510.1(e)(8)(F)) and § 84c.5(a) and (b)(relating to basic reserves minimum standard and deficiency reserves minimum standard) authorize the Commissioner to promulgate regulations specifying new mortality tables adopted after 1980 by the National Association of Insurance Commissioners for use in determining minimum valuation standards and minimum nonforfeiture standards for life insurance coverage. The purpose of Chapter 84d is to specify the NAIC-adopted 2001 CSO Mortality Table as a new mortality table.

(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), section 410A(e)(8)(F)) of The Insurance Department Act of 1921 (40 P.S. §510.1(e)(8)(F)) and § 84c.5(a) and (b)(relating to basic reserves minimum standard; and deficiency reserves minimum standard). Likewise, this final form rulemaking is made pursuant to the Department's rulemaking authority under the Unfair Insurance Practices Act (UIPA, 40 P.S. §§ 1171.1 et seq.) (as such authority is further explained in PALU v. Insurance Department, 371 A.2d 564 (Pa. Cmwlth. 1977)), because the Insurance Commissioner of the Commonwealth of Pennsylvania has determined that, in and of itself, it is not a violation of the UIPA for a company to determine nonforfeiture benefits for the same type of policy of life on both a sex-distinct and sex-neutral basis. See 40 P.S. §1171.5(a)(7).

## Regulatory Analysis Form

(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?

Chapter 84d is needed to allow insurers to use the most recent NAIC-adopted mortality table in determining minimum valuation standards and minimum nonforfeiture standards.

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

There are no public health, safety, environment 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.)

Insurers issuing life insurance coverage will be able to use the most recent NAIC-adopted mortality table in determining minimum valuation standards and nonforfeiture standards.

Consumers may benefit in that with the highly competitive life insurance market in Pennsylvania it is likely that there will be reduction in the cost of a 2001 CSO Mortality Table policy due to improved mortality recognized by the 2001 CSO Mortality Table.

## Regulatory Analysis Form

(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.)

Insurers will be required to expend some time to prepare and submit to the Department for approval forms using the 2001 CSO Mortality table.

The use of the 1980 CSO Table may result in a reduction in the amount of a nonforfeiture benefit under an issued policy; however, with the highly competitive life insurance market in Pennsylvania there will most likely be a reduction in the cost of such policy due to improved mortality recognized by the 2001 CSO Mortality Table.

(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.)

The regulation applies to all insurers issuing life insurance coverage 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.

Comments regarding the amendment of this regulation were solicited from the various trade associations representing the insurance industry. IFP had no comments, and believed that their members supported the regulation. No other comments were received from the other members of the industry to whom a preliminary draft was submitted.

(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.

## **Regulatory Analysis Form**

(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 final form 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 final form rulemaking since it does not impose additional requirements on the insurance industry, which the Department must monitor for compliance.

## Regulatory Analysis Form

(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
<b>SAVINGS:</b>	\$	\$	\$	\$	\$	\$
<b>Regulated Community</b>						
<b>Local Government</b>						
<b>State Government</b>						
<b>Total Savings</b>						
<b>COSTS:</b>						
<b>Regulated Community</b>						
<b>Local Government</b>						
<b>State Government</b>						
<b>Total Costs</b>						
<b>REVENUE LOSSES:</b>						
<b>Regulated Community</b>						
<b>Local Government</b>						
<b>State Government</b>						
<b>Total Revenue Losses</b>						

(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 statutes requiring reserves and nonforfeiture benefits provides for the recognition of new 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 promulgation of Chapter 84d is the most efficient way to recognize the new mortality table.

## 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?

Pennsylvania's adoption of the 2001 CSO Mortality Table will not put Pennsylvania at a competitive disadvantage with other states. It will place Pennsylvania in a more competitive situation because it allows insurers to use the most recently recognized mortality table adopted by the NAIC.

(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 final form 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 final form 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 final form 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 approval of the final form regulation by the legislative standing committees, the Independent Regulatory Review Commission, and the Office of the Attorney General 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.



CDL-1  <b>FACE SHEET FOR FILING DOCUMENTS WITH THE LEGISLATIVE REFERENCE BUREAU</b>  (Pursuant to Commonwealth Documents Law)		RECEIVED 2003 NOV 25 AM 10: 25 INDEPENDENT LEGISLATIVE REVIEW COMMISSION
# 2351		DO NOT WRITE IN THIS SPACE
Copy below is hereby approved as to form and legality. Attorney General  By _____ (Deputy Attorney General)  _____ Date of Approval  → Check if applicable. Copy not approved. Objections attached.	Copy below is hereby certified to be a true and correct copy of a document issued, prescribed or promulgated by:  <b>Insurance Department</b> _____ (AGENCY)  DOCUMENT/FISCAL NOTE NO. <u>11-218</u>  DATE OF ADOPTION: _____  BY: <u><i>M. Diane Koken</i></u> <b>M. Diane Koken</b> <b>Insurance Commissioner</b>  TITLE: _____ (EXECUTIVE OFFICER, CHAIRMAN OR SECRETARY)	Copy below is hereby approved as to form and legality. Executive or Independent Agencies  BY: <u><i>John V. Curran</i></u>  <u>11/24/03</u> DATE OF APPROVAL  (DEPUTY GENERAL COUNSEL) ( <del>CHIEF COUNSEL, INDEPENDENT AGENCY</del> ) (STRIKE INAPPLICABLE TITLE)  → Check if applicable. No Attorney General approval or objection within 30 days after submission.

NOTICE OF FINAL FORM RULEMAKING

INSURANCE DEPARTMENT

31 Pa. Code, Chapter 84d  
§§84d.1-84d.6

Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits

## PREAMBLE

The Insurance Department (Department) hereby adopts Chapter 84d (relating to recognition of the 2001 CSO mortality table for use in determining minimum nonforfeiture standards and minimum standards for valuation), as set forth in Annex A.

### *Statutory Authority*

The final form 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 (40 P.S. §71(c)(1)), section 410F (e)(8)(F) of The Insurance Company Law (40 P.S. §510.1(e)(8)(F)) and 31 Pa. Code §§84c.5(a) and (b) (relating to basic reserves minimum standard; and deficiency reserves minimum standard). Likewise, this final form regulation is made pursuant to the Department's rulemaking authority under the Unfair Insurance Practices Act (UIPA, 40 P.S. §§ 1171.1 et seq.) (as such authority is further explained in PALU v. Insurance Department, 371 A.2d 564 (Pa. Cmwlth. 1977)), because the Insurance Commissioner of the Commonwealth of Pennsylvania has determined that, in and of itself, it is not a violation of the UIPA for a company to determine nonforfeiture benefits for the same type of policy of life insurance on both a sex-distinct and sex-neutral basis. See 40 P.S. §1171.5(a)(7).

### *Comments and Response*

Notice of proposed rulemaking was published at 33 Pa.B. 4297 (August 30, 2003) with a 30-day comment period. During the 30-day comment period, comments were received from the American Council of Life Insurers (ACLI) and the Insurance Federation of Pennsylvania, Inc. (IFP). Although the IFP commented on the preamble, neither the ACLI nor the IFP provided any substantive comments on the annex and both parties supported the adoption of the regulation. The Independent Regulatory Review Commission (IRRC) did not submit any comments to the Department during its review. Therefore, no substantive changes were made to the Annex in the final form.

However, the Department in reviewing the regulation as submitted and as printed noticed two minor errors. The index indicates that the definitions section is §84d.1 and the purpose section is §84d.2, while the body of the regulation has this reversed. The proper order is in the final form regulation.

Also, when submitted, the term regulation was used in §84d.3(a) but when published in proposed form, this term was changed to section. Section would not be appropriate here as the conditions in §84d.3 apply to the entire chapter and not just this section. It was noted that the same term "regulation" was changed to "chapter" in several other subsections, therefore, the Department is requesting that the term "section" as used in 84d.3(a) be changed to "chapter".

As these changes are relatively minor, the Department does not believe that the final form has changed substantially enough to request further comments.

***Affected parties***

This final form rulemaking will apply to insurers issuing life insurance coverage in this Commonwealth.

***Fiscal impact***

***State Government***

The promulgation of this regulation will not increase costs to the Department due to the use of the new mortality table since the extent of the analysis performed by the Department is not affected by the mortality table used in the calculation of nonforfeiture benefits and reserves.

***General Public***

It is unlikely that there will be any adverse fiscal impact on consumers who purchase life insurance coverage. The use of the 2001 CSO table may result in a reduction in nonforfeiture benefit amounts; however, with the highly competitive life insurance market in Pennsylvania there will most likely be a reduction in the cost of insurance due to improved mortality recognized by the 2001 CSO Mortality Table.

***Political Subdivisions***

There will be no fiscal impact on political subdivisions, as insurers will continue to maintain adequate reserves and provide adequate nonforfeiture benefits. Adequate reserves have the potential to minimize insurer insolvencies that could result in less erosion of the tax base since insurers pay premium taxes on premium income and pay salaries that are taxed.

***Private Sector***

The final form rulemaking will likely have no fiscal impact on insurance companies issuing life insurance coverage. Insurers will be required to expend some time to prepare and submit to the Department forms using the 2001 CSO Mortality Table.

***Paperwork***

This final form rulemaking will not impose additional paperwork on the Department or the insurance industry. The final form rulemaking provides for the use of an additional mortality table, and does not impose additional requirements resulting in additional paperwork.

***Effectiveness/Sunset Date***

This rulemaking becomes effective on January 1, 2004. The Department continues to monitor the effectiveness of regulations on a triennial basis; therefore no sunset date has been assigned.

**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. In addition, questions may be e-mailed to [psalvatore@state.pa.us](mailto:psalvatore@state.pa.us) or faxed to (717) 705-3873.

**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 August 19, 2003 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:

(1) The regulations of the Department, 31 Pa. Code, are amended by adopting §§84d.1-84d.6, to read as set forth in Annex A.

(2) 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.

(3) The Commissioner shall certify this order and Annex A and deposit them with the Legislative Reference Bureau as required by law.

(4) The regulation adopted by this order shall take effect January 1, 2004.

**M. Diane Koken**  
**Insurance Commissioner**

## Annex A

### TITLE 31. INSURANCE. PART VI. LIFE INSURANCE. CHAPTER 84d. RECOGNITION OF THE 2001 CSO MORTALITY TABLE FOR USE IN DETERMINING MINIMUM RESERVE LIABILITIES AND NONFORFEITURE BENEFITS.

Sec.

84d.1. Purpose.

84d.2. Definitions.

84d.3. 2001 CSO Mortality Table.

84d.4. Applicability of the 2001 CSO Mortality Table to Chapter 84c (relating to valuation of life insurance policies).

84d.5. Gender-blended tables.

84d.6. Permitted issuance.

#### **§ 84d.1. Purpose.**

This chapter implements section 301(c)(1) of the act (40 P. S. § 71(c)(1)), section 410A(e)(8)(F) of the law (40 P. S. § 510.1(e)(8)(F)) and § 84c.5(a) and (b) (relating to general requirements for basic reserves and premium deficiency reserves) which authorize the Commissioner to promulgate regulations specifying tables adopted after 1980 by the NAIC for use in determining minimum nonforfeiture standards and minimum valuation standards.

#### **§ 84d.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 1921 (40 P. S. §§ 1--324).

Actuarial Standards Board--The board established by the American Academy of Actuaries, or a successor thereto, to develop and promulgate standards of actuarial practice.

Commissioner--The Insurance Commissioner of the Commonwealth.

Composite Mortality Tables--The mortality tables with rates of mortality that do not distinguish between smokers and nonsmokers.

Law--The Insurance Company Law of 1921 (40 P. S. §§ 341--991).

NAIC--The National Association of Insurance Commissioners.

Smoker and Nonsmoker Mortality Tables--The mortality tables with separate rates of mortality for smokers and nonsmokers.

2001 CSO Mortality Table--The 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)*. 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.

2001 CSO Mortality Table (F)--The mortality table consisting of the rates of mortality for female lives from the 2001 CSO Mortality Table.

2001 CSO Mortality Table (M)--The mortality table consisting of the rates of mortality for male lives from the 2001 CSO Mortality Table.

**§ 84d.3. 2001 CSO Mortality Table.**

(a) At the election of the company for any one or more specified plans of insurance and subject to the conditions stated in this section CHAPTER, the 2001 CSO Mortality Table may be used as the minimum nonforfeiture standard and the minimum valuation standard for policies issued on or after January 1, 2004, and before the date specified in subsection (b). If the company elects to use the 2001 CSO Mortality Table, it shall do so for both nonforfeiture and valuation purposes.

(b) Subject to the conditions stated in this chapter, the 2001 CSO Mortality Table shall be used as the minimum nonforfeiture standard and the minimum valuation standard for policies issued on and after January 1, 2009.

(c) For each policy form with separate rates for smokers and nonsmokers a company may use the 2001 CSO Mortality Tables in one of the following ways:

(1) The Composite Mortality Tables as the minimum nonforfeiture standard and the minimum valuation standard.

(2) The Composite Mortality Tables as the minimum nonforfeiture standard and to determine the minimum reserves required by section 301 of the act (40 P. S. § 71) and the Smoker and Nonsmoker Mortality Tables as the minimum valuation standard



to determine the additional minimum reserves, if any, required by section 303 of the act (40 P. S. § 73).

(3) The Smoker and Nonsmoker Mortality Tables as the minimum nonforfeiture standard and the minimum valuation standard.

(d) For each policy form without separate rates for smokers and nonsmokers the Composite Mortality Tables shall be used as the minimum nonforfeiture standard and the minimum valuation standard.

(e) Subject to the restrictions of § 84d.4 (relating to applicability of the 2001 CSO Mortality Table to Chapter 84c (relating to valuation of life insurance policies)) and Chapter 84c (relating to valuation of life insurance policies), the 2001 CSO Mortality Table may, at the option of the company for each policy form, be used in its ultimate or select and ultimate form as the minimum nonforfeiture standard and the minimum valuation standard.

(f) When the 2001 CSO Mortality Table is the minimum reserve standard for any policy form for a company, the actuarial opinion in the annual statement filed with the Commissioner shall be based on an asset adequacy analysis as specified in Chapter 84b (relating to actuarial opinion and memorandum). The Commissioner may exempt a company from this requirement if it only does business in this Commonwealth.

**§ 84d.4. Applicability of the 2001 CSO Mortality Table to Chapter 84c (relating to valuation of life insurance policies).**

(a) The 2001 CSO Mortality Table shall be used in applying Chapter 84c (relating to valuation of life insurance policies) in the following manner, subject to the transition

dates for use of the 2001 CSO Mortality Table in § 84d.3(a) (relating to 2001 CSO mortality table) and § 84d.3(b).

(1) The net level reserve premium referenced in § 84c.2(b)(2)(ii) (relating to applicability) shall be based on the ultimate mortality rates in the 2001 CSO Mortality Table.

(2) All calculations in § 84c.4(b)(1) (relating to segmented and unitary reserve methods) shall be made using the 2001 CSO Mortality Table. The value of " $q_{x+k+t-1}$ " is the valuation mortality rate for deficiency reserves in policy year  $k+t$ , but using the unmodified select mortality rates if modified select mortality rates are used in the computation of deficiency reserves.

(3) The basic reserves minimum standard in § 84c.5(a) (relating to general requirements for basic reserves and premium deficiency reserves) shall be the 2001 CSO Mortality Table.

(4) The deficiency reserves minimum standard in § 84c.5(b) shall be the 2001 CSO Mortality Table. If select mortality rates are used, they may be multiplied by X% for durations in the first segment, subject to the conditions specified in § 84c.5(b)(3)(i)--(ix). In demonstrating compliance with those conditions, the demonstrations may not combine the results of tests that utilize the 1980 CSO Mortality Table with those tests that utilize the 2001 CSO Mortality Table, unless the combination is explicitly required by regulation or necessary to be in compliance with relevant standards of practice as promulgated by the Actuarial Standards Board.

(5) The valuation mortality table used in determining the tabular cost of insurance in § 84c.6(c) (relating to minimum valuation standard for policies with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits (other than universal life policies)) shall be the ultimate mortality rates in the 2001 CSO Mortality Table.

(6) The calculations specified in § 84c.6(e)(4) shall use the ultimate mortality rates in the 2001 CSO Mortality Table.

(7) The calculations specified in § 84c.6(f)(4) shall use the ultimate mortality rates in the 2001 CSO Mortality Table.

(8) The net premiums referenced in § 84c.6(g)(2) shall be calculated using the ultimate mortality rates in the 2001 CSO Mortality Table.

(9) The 1-year valuation premium in § 84c.7(a)(1)(ii) (relating to minimum valuation standard for universal life insurance policies that contain provisions resulting in the ability of a policy owner to keep a policy in force over a secondary guarantee period) shall be calculated using the ultimate mortality rates in the 2001 CSO Mortality Table.

(b) Nothing in this section expands the applicability of Chapter 84c to include life insurance policies exempted under § 84c.2(b).

**§ 84d.5. Gender-blended tables.**

(a) For any ordinary life insurance policy delivered or issued for delivery in this Commonwealth on and after January 1, 2004, that utilizes the same premium rates and

charges for male and female lives or is issued in circumstances when applicable law does not permit distinctions on the basis of gender, a mortality table that is a blend of the 2001 CSO Mortality Table (M) and the 2001 CSO Mortality Table (F) may, at the option of the company for each policy form, be substituted for the 2001 CSO Mortality Table as the minimum nonforfeiture standard. The blended tables may not be used as the minimum valuation standard.

(b) If blended tables are used as the minimum nonforfeiture standard, the company shall choose from among the blended tables developed by the American Academy of Actuaries CSO Task Force and adopted by the NAIC in December 2002.

**§ 84d.6. Permitted usage.**

In and of itself, it is not a violation of the Unfair Insurance Practices Act (40 P. S. §§ 1171.1--1171.15) for a company to determine nonforfeiture benefits for the same type of policy of life insurance on both a sex-distinct and sex-neutral basis.



**COMMONWEALTH OF PENNSYLVANIA  
INSURANCE DEPARTMENT**

**SPECIAL PROJECTS OFFICE  
1326 Strawberry Square  
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NOVEMBER 25, 2003

Mr. Robert Nyce  
Executive Director  
Independent Regulatory Review Comm.  
333 Market Street  
Harrisburg, PA 17101

Re: Insurance Department Final Form Regulation No. 11-218, recognition of the 2001 CSO mortality table 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 84d, recognition of the 2001 CSO mortality table for use in determining minimum nonforfeiture standards and minimum standards for valuation.

A minor wordsmithing change was made to the regulation in §84d.3(a). The Department changed the term "section" to "chapter" to reflect the true meaning of §84d.3(a) and remain consistent throughout the regulation. In addition, the effective date was changed in the preamble to January 1, 2004, as it is easier for the industry to start reserving on the 1<sup>st</sup> of the year rather than mid-month. The mid-month reserving would have occurred if we did not make this change. The Department does not anticipate any opposition to the minor changes.

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

Sincerely yours,

A handwritten signature in cursive script that reads "Peter J. Salvatore".

Peter J. Salvatore  
Regulatory Coordinator

**The Final Form Regulation listed below has been sent to the following:**

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<i>Reg #</i>	<i>Regulation Title</i>	<i>Date Sent</i>	<i>11/25/2003</i>
<i>11-218</i>	<i>Mortality Tables Used in Determining Nonforfeiture Standards and Minimum Standards f</i>		
<hr/>			
<i>Mr. C. Bryan Cox</i>			
<i>Senior Legislative Director, State Relations</i>			
<i>American Council of Life Insurers</i>			
<i>101 Constitution Avenue, NW</i>			
<i>Washington, DC 20001</i>			
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<i>Mr. John Doubman</i>			
<i>Secretary and Counsel</i>			
<i>Insurance Federation of Pennsylvania, Inc.</i>			
<i>1600 Market St.</i>			
<i>Philadelphia, PA 19103</i>			
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**TRANSMITTAL SHEET FOR REGULATIONS SUBJECT TO THE  
REGULATORY REVIEW ACT**

**I.D. NUMBER:** 11-218

**SUBJECT:** Recognition of 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities & Nonforfeiture Benefits

**AGENCY:** DEPARTMENT OF INSURANCE

**TYPE OF REGULATION**

- Proposed Regulation
- 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

RECEIVED  
 REGULATORY REVIEW COMMISSION  
 2003 NOV 25 AM 10:25  
 DEPARTMENT OF INSURANCE

**FILING OF REGULATION**

DATE	SIGNATURE	DESIGNATION
11/25	<i>Tommy W. Hagen</i>	HOUSE COMMITTEE ON INSURANCE
11/24	<i>[Signature]</i>	
11/25	<i>Labitha J. Wimmer</i>	SENATE COMMITTEE ON BANKING & INSURANCE
11/25/03	<i>J. McNamee</i>	
11/25/03	<i>E. Page</i>	INDEPENDENT REGULATORY REVIEW COMMISSION
_____	_____	ATTORNEY GENERAL (for Final Omitted only)
_____	_____	LEGISLATIVE REFERENCE BUREAU (for Proposed only)