

# 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 proposal 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 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 proposed 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>	\$	\$	\$	\$	\$	\$
Regulated Community						
Local Government						
State Government						
<b>Total Savings</b>						
<b>COSTS:</b>						
Regulated Community						
Local Government						
State Government						
<b>Total Costs</b>						
<b>REVENUE LOSSES:</b>						
Regulated Community						
Local Government						
State Government						
<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 proposed 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 proposed 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 proposed 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 undergo a 30-day public comment period and will take effect upon approval of the final form regulation by the legislative standing committees, the Office of the Attorney General, 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;"><b>FACE SHEET FOR FILING DOCUMENTS WITH THE LEGISLATIVE REFERENCE BUREAU</b></p> <p style="text-align: center;">(Pursuant to Commonwealth Documents Law)</p> <p style="text-align: right; font-size: 1.2em;">#2351</p>	<p style="text-align: center; font-size: 1.5em;"><b>RECEIVED</b></p> <p style="text-align: center;">2003 AUG 19 PM 4:27</p> <p style="text-align: center;">INDEPENDENT REGULATORY 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 style="font-size: 1.5em;"><i>Amy M. Elliott</i></p> <p>By _____ (Deputy Attorney General)</p> <p style="text-align: center; font-size: 1.2em;"><b>AUG 07 2003</b></p> <p style="text-align: center;">Date of Approval</p> <p>→ 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; font-size: 1.2em;">Insurance Department</p> <p style="text-align: center;">(AGENCY)</p> <p>DOCUMENT/FISCAL NOTE NO. <u>11-218</u></p> <p>DATE OF ADOPTION: _____</p> <p>BY: <i>M. Diane Koken</i> M. Diane Koken Insurance Commissioner</p> <p>TITLE: _____ (EXECUTIVE OFFICER, CHAIRMAN OR SECRETARY)</p>	<p>Copy below is hereby approved as to form and legality. Executive or Independent Agencies</p> <p style="font-size: 1.5em;"><i>David J. DeLo</i></p> <p>By _____</p> <p style="text-align: center; font-size: 1.2em;"><b>7/16/03</b></p> <p style="text-align: center;">DATE OF APPROVAL <i>Executive</i> (DEPUTY GENERAL COUNSEL) (<del>CHIEF COUNSEL, INDEPENDENT AGENCY</del>) (STRIKE INAPPLICABLE TITLE)</p> <p>→ Check if applicable. No Attorney General approval or objection within 30 days after submission.</p>

NOTICE OF PROPOSED 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**

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

The Insurance Department (Department) proposes to add 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. The proposal is made 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 proposal 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).

#### ***Purpose***

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) authorizes the Commissioner to promulgate regulations specifying new mortality tables adopted after 1980 by the National Association of Insurance Commissioners (NAIC) for use in determining minimum valuation standards and minimum nonforfeiture standards for life insurance policies. The purpose of this rulemaking is to add Chapter 84d to specify the 2001 CSO Mortality Table as a new mortality table. The 2001 CSO Mortality Table must be used no later than January 1, 2009 but may be used earlier upon election by an insurer.

The 2001 CSO Mortality Table is based on historical experience and has been developed by the American Academy of Actuaries. In December 2002, the NAIC adopted the proposed mortality table in its "Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation." This proposed rulemaking was patterned after the NAIC model regulation. Changes to the model regulation of an editorial nature were made for consistency with current Pennsylvania regulations relating to valuation standards and nonforfeiture standards, and for wording clarification. The language of §84d.6 of the proposed rulemaking was modified because the NAIC language is vague and subject to interpretation that would conflict with the UIPA. See 40 P.S. §1171.5(a)(7). The section was modified to relate to the determination of nonforfeiture benefits under the same type of policy.

The use of the 2001 CSO Mortality Table will allow insurers to provide minimum reserves and nonforfeiture benefits based on a table recognizing current mortality.

A copy of this proposed rulemaking was shared with the Insurance Federation of Pennsylvania, Inc. (IFP), the Pennsylvania Association of Mutual Insurance Companies (PAMIC) and the Fraternal Insurance Organization. There were no negative comments received and the IFP, representing a substantial portion of the life insurance industry operating in Pennsylvania, expressed a desire that the 2001 CSO Mortality Table be recognized in Pennsylvania for use in determining minimum reserves and nonforfeiture benefits.

### ***Explanation of regulatory requirements***

Section 84d.1 (relating to purpose) explains the purpose of the rulemaking.

Section 84d.2 (relating to definitions) defines the terms used in the rulemaking.

Section 84d.3 (relating to 2001 CSO mortality table) provides for the use of the 2001 CSO Mortality Table as an additional mortality table which may be used, upon election by the insurer, to determine minimum reserves and nonforfeiture benefits for life insurance issued prior to January 1, 2009 and as the mortality table that must be used to determine minimum reserves and nonforfeiture benefits for life insurance issued on and after January 1, 2009.

Section 84d.4 (relating to Applicability of the 2001 CSO mortality table to Chapter 84c (relating to valuation of life insurance policies)). This section provides specific rules for using the 2001 CSO Mortality Table in applying the requirements of Chapter 84c in the determination of reserves for life insurance policies.

Section 84d.5 (relating to gender-blended tables). This section provides for the use in determining minimum nonforfeiture benefits of a mortality table that is a blend of the 2001 sex distinct tables.

Section 84d.6 (relating to permitted usage). This section establishes that the determination of nonforfeiture benefits for the same kind of life insurance policy on both a sex-distinct and sex-neutral basis is not, in and of itself, a violation of the Unfair Insurance Practices Act.

### ***Affected parties***

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

### ***Fiscal impact***

*State Government*

There will be no increase in cost 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 1980 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 proposed rulemaking may have some 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*

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

#### *Effectiveness/sunset date*

The proposed rulemaking will become effective upon final adoption and publication in the Pennsylvania Bulletin as final rulemaking. No sunset date has been assigned.

#### *Contact Person*

Questions or comments regarding the proposed rulemaking may be addressed in writing to Peter J. Salvatore, Regulatory Coordinator, Insurance Department, 1326 Strawberry Square, Harrisburg, PA 17120, within 30 days following the publication of this notice in the *Pennsylvania Bulletin*. Questions and comments may also be e-mailed to [psalvatore@state.pa.us](mailto:psalvatore@state.pa.us) or faxed to (717) 772-1969.

Pursuant to the Regulatory Review Act (71 P.S. §745 et seq.), the Department is required to write to all commentators, requesting whether or not they wish to receive a copy of the final form regulation. In order to better serve our stakeholders, the Department has made a determination that all commentators will receive a copy of the final form rulemaking when it is made available to the IRRC and the Legislative Standing Committees.

***Regulatory Review***

Under section 5(a) of the Regulatory Review Act (71 P.S. §745.5(a)), on \_\_\_\_\_, the Department submitted a copy of this proposed rulemaking to the Independent Regulatory Review Commission (IRRC) and to the Chairpersons of the Senate Banking and Insurance Committee and the House Insurance Committee. In addition to the submitted proposed rulemaking, the Department has, as required by the Regulatory Review Act, provided IRRC and the Committees with a copy of a detailed Regulatory Analysis Form prepared by the Department. A copy of that material is available to the public upon request.

The IRRC will notify the Department of any objections to any portion of the proposed rulemaking within 30 days of the close of the public comment period. The notification shall specify the regulatory review criteria that have not been met by that portion. The Regulatory Review Act specifies detailed procedures for the Department, the Governor, and the General Assembly to review these objections before final publication of the regulations.

M. DIANE KOKEN  
Insurance Commissioner

**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**

Section

<u>84d.1</u>	<u>Definitions.</u>
<u>84d.2</u>	<u>Purpose.</u>
<u>84d.3</u>	<u>2001 CSO mortality table.</u>
<u>84d.4</u>	<u>Applicability of the 2001 CSO mortality table to chapter 84c (relating to valuation of life insurance policies).</u>
<u>84d.5</u>	<u>Gender-blended tables.</u>
<u>84d.6</u>	<u>Permitted issuance.</u>

**§84d.1. Purpose.**

The purpose of this chapter is to implement 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 basic reserves minimum standard; and deficiency reserves minimum standard) 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.

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.

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.

**§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 regulation, 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 regulation, 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 (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 (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 Pennsylvania.

**§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 contract segmentation method) 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 basic reserves minimum standard) shall be the 2001 CSO Mortality Table.

(4) The deficiency reserves minimum standard in §84c.5(b) (relating to deficiency reserves minimum standard) 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 value) shall be the ultimate mortality rates in the 2001 CSO Mortality Table.

(6) The calculations specified in §84c.6(e)(4) (relating to optional exemption for yearly renewable term reinsurance) shall use the ultimate mortality rates in the 2001 CSO Mortality Table.

(7) The calculations specified in §84c.6(f)(4) (relating to optional exemption for attained-age-based yearly renewable term life insurance policies) shall use the ultimate mortality rates in the 2001 CSO Mortality Table.

(8) The net premiums referenced in §84c.6(g)(2) (relating to exemption from unitary reserves for certain renewable term life insurance policies) 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 general requirements) shall be calculated using the ultimate mortality rates in the 2001 CSO Mortality Table.

(b) Nothing in this section shall be construed to expand 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 Pennsylvania on and after January 1, 2004 that utilizes the same premium rates and charges for male and female lives or is issued in circumstances where 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 must 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**

**OFFICE OF SPECIAL PROJECTS**  
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August 19, 2003

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

Re: Insurance Department Proposed Regulation No. 11-218, Chapter 84d, Recognition of 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities & Nonforfeiture Benefits

Dear Mr. Nyce:

Pursuant to Section 5(a) of the Regulatory Review Act, enclosed for your information and review is proposed regulation 31 Pa. Code, Chapter 84d.

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) authorizes the Commissioner to promulgate regulations specifying new mortality tables adopted after 1980 by the National Association of Insurance Commissioners (NAIC) for use in determining minimum valuation standards and minimum nonforfeiture standards for life insurance policies. The purpose of this rulemaking is to add Chapter 84d to specify the 2001 CSO Mortality Table as a new mortality table. The 2001 CSO Mortality Table must be used no later than January 1, 2009 but may be used earlier upon election by an insurer.

The 2001 CSO Mortality Table is based on historical experience and has been developed by the American Academy of Actuaries. The use of the 2001 CSO Mortality Table will allow insurers to provide minimum reserves and nonforfeiture benefits based on a table recognizing current mortality.

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

Sincerely yours,

Peter J. Salvatore  
Regulatory Coordinator

**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**

- X 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

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INDEPENDENT REGULATORY  
REVIEW COMMISSION

**FILING OF REGULATION**

DATE	SIGNATURE	DESIGNATION
8/19	<i>M. Pugh</i>	HOUSE COMMITTEE ON INSURANCE
8/19	<i>M. E. Vetchel</i>	
8/19	<i>Judy Merrill</i>	SENATE COMMITTEE ON BANKING & INSURANCE
8/19	<i>J. McDaniel</i>	
8/19	<i>E. Pagan</i>	INDEPENDENT REGULATORY REVIEW COMMISSION
		ATTORNEY GENERAL (for Final Omitted only)
8/19/03	<i>Mayra Garcia</i>	LEGISLATIVE REFERENCE BUREAU (for Proposed only)