

**STANDARD NONFORFEITURE AND VALUATION FOR USE IN  
DETERMINING MINIMUM RESERVE LIABILITIES AND NONFORFEITURE  
BENEFITS REGULATION**

**120-2-90-.01 Authority.**

This regulation is promulgated by the Commissioner of Insurance pursuant to O.C.G.A. §§33-2-9, 33-10-13(d)(1)(B)(iii) and 33-25-4(e)(8)(F).

**120-2-90-.02 Purpose.**

The purpose of this regulation is to recognize, permit and prescribe the use of the 2001 Commissioners Standard Ordinary (CSO) Mortality Table in accordance with O.C.G.A. §§33-10-13(d)(1)(B)(iii) and 33-25-4(e)(8)(F) and Georgia Insurance Department Regulation Chapter 120-2-90 and to recognize and permit the use of mortality tables that reflect differences in mortality between Preferred and Standard lives in determining minimum reserve liabilities for life insurance pursuant to O.C.G.A. §33-10-13(d)(1)(B)(iii) and Georgia Insurance Department Regulation Chapter 120-2-90.

**120-2-90-.03 Definitions.**

(1) As used in this regulation:

(a) “2001 CSO Mortality Table” means that mortality table, consisting of separate rates for 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 (2<sup>nd</sup> Quarter 2002) and supplemented by the 2001 CSO Preferred Class Structure Mortality Table defined below in subsection (d). 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.

(b) “2001 CSO Mortality Table (F)” means that mortality table consisting of the rates of mortality for female lives from the 2001 CSO Mortality Table.

(c) “2001 CSO Mortality Table (M)” means that mortality table consisting of the rates of mortality for male lives from the 2001 CSO Mortality Table.

(d) “2001 CSO Preferred Class Structure Mortality Table” means mortality tables with separate rates of mortality for Super Preferred Nonsmokers, Preferred Nonsmokers, Residual Standard Nonsmokers, Preferred Smokers, and Residual Standard Smoker splits of the 2001 CSO Nonsmoker and Smoker tables as adopted by the NAIC at the September, 2006 national meeting and published in the *NAIC Proceedings {3<sup>rd</sup> Quarter*

2006}. Unless the context indicates otherwise, the “2001 CSO Preferred Class Structure Mortality Table” includes both the ultimate form of that table and the select and ultimate form of that table. It includes both the smoker and nonsmoker mortality tables. It includes both the male and female mortality tables and the gender composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality table.

(e) “Composite mortality tables” means mortality tables with rates of mortality that do not distinguish between smokers and nonsmokers.

(f) “Smoker and nonsmoker mortality tables” means mortality tables with separate rates of mortality for smokers and nonsmokers.

(g) “Appendix A-830” means Appendix A-830 of the NAIC Accounting Practices and Procedures Manual.

(h) “Statistical agent” means an entity with proven systems for protecting the confidentiality of individual insured and insurer information; demonstrated resources for and history of ongoing electronic communications and data transfer ensuring data integrity with insurers, which are its members or subscribers; and a history of and means for aggregation of data and accurate promulgation of the experience modifications in a timely manner.

(2) In addition to the other requirements of this regulation, a company shall use Appendix A-830 for the valuation of life insurance policies. This regulation does not expand the applicability of Appendix A-830 to include life insurance policies otherwise exempt under Appendix A-830.

#### **120-2-90-.04 2001 CSO Mortality Table and 2001 CSO Preferred Class Structure Mortality Table.**

(1) At the election of the company for any one of 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 standard for policies issued on or after the effective date of this regulation and before the date specified in subsection (2) to which O.C.G.A. §§33-10-13(d)(1)(B)(iii) and 33-25-4(e)(8)(F) and Appendix A-830 are applicable. If the company elects to use the 2001 CSO Mortality Table, it shall do so for both valuation and nonforfeiture purposes.

(2) Subject to the conditions stated in this regulation, the 2001 CSO Mortality Table shall be used in determining minimum standards for policies issued on and after January 1, 2009, to which O.C.G.A. §§33-10-13(d)(1)(B)(iii) and 33-25-4(e)(8)(F) and Appendix A-830 are applicable.

(3) At the election of the company, for each calendar year of issue, for any one or more specified plans of insurance and subject to satisfying the conditions stated in this regulation, the 2001 CSO Preferred Class Structure Mortality Table may be substituted in

place of the 2001 CSO Smoker or Nonsmoker Mortality Table as the minimum valuation standard for policies issued on or after January 1, 2007. No such election shall be made until the company demonstrates at least 20% of the business to be valued on this table is in one or more of the preferred classes. A table from the 2001 CSO Preferred Class Structure Mortality Table used in place of a 2001 CSO Mortality Table, pursuant to the requirements of this rule, will be treated as part of the 2001 CSO Mortality Table only for purposes of reserve valuation pursuant to the requirements of the NAIC model regulation, "Recognition of the 2001 CSO Mortality Table For Use In Determining Minimum Reserve Liabilities And Nonforfeiture Benefits Model Regulation."

**120-2-90-.05 Conditions.**

(1) For each plan of insurance with separate rates for smokers and nonsmokers an insurer may use:

(a) Composite mortality tables to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits;

(b) Smoker and nonsmoker mortality tables to determine the valuation net premiums and additional minimum reserves, if any, required by O.C.G.A. §33-10-13(j) and use composite mortality tables to determine the basic minimum reserves, minimum cash surrender values and amounts of paid-up nonforfeiture benefits; or

(c) Smoker and nonsmoker mortality to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits.

(2) For each plan of insurance with separate rates for Preferred and Standard Nonsmoker lives, an insurer may use the Super Preferred Nonsmoker, Preferred Nonsmoker, and Residual Standard Nonsmoker tables to substitute for the Nonsmoker mortality table found in the 2001 CSO Mortality Table to determine minimum reserves. At the time of election and annually thereafter, except for business valued under the Residual Standard Nonsmoker Table, the appointed actuary shall certify that:

(a) The present value of death benefits over the next ten years after the valuation date, using the anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the valuation basic table corresponding to the valuation table being used for that class.

(b) The present value of death benefits over the future life of the contracts, using anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the valuation basic table corresponding to the valuation table being used for that class.

(3) For plans of insurance without separate rates for smokers and nonsmokers the composite mortality tables shall be used.

(4) For each plan of insurance with separate rates for Preferred and Standard Smoker lives, an insurer may use the Preferred Smoker and Residual Standard Smoker tables to substitute for the Smoker mortality table found in the 2001 CSO Mortality Table to determine minimum reserves. At the time of election and annually thereafter, for business valued under the Preferred Smoker Table, the appointed actuary shall certify that:

(a) The present value of death benefits over the next ten years after the valuation date, using the anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the Preferred Smoker valuation basis table corresponding to the valuation table being used for that class.

(b) The present value of death benefits over the future life of the contracts, using anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the Preferred Smoker valuation basic table.

(5) For the purpose of determining minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits, the 2001 CSO Mortality Table may, at the option of the company for each plan of insurance, be used in its ultimate or select and ultimate form, subject to the restrictions of §120-2-90-.06 and Appendix A-830 relative to use of the select and ultimate form.

(6) When the 2001 CSO Mortality Table is the minimum reserve standard for any plan 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 Georgia Insurance Department Regulation Chapter 120-2-74-.05. A commissioner may exempt a company from this requirement if it only does business in this state and in no other state.

(7) Unless exempted by the commissioner, every authorized insurer using the 2001 CSO Preferred Class Structure Table shall annually file with the commissioner, with the NAIC, or with a statistical agent designated by the NAIC and acceptable to the commissioner, statistical reports showing mortality and such other information as the commissioner may deem necessary or expedient for the administration of the provisions of this regulation. The form of the reports shall be established by the commissioner or the commissioner may require the use of a form established by the NAIC or by a statistical agent designated by the NAIC and acceptable to the commissioner.

**120-2-90-.06 Applicability of the 2001 CSO Mortality Table and 2001 CSO Preferred Class Structure Mortality Table to Life Insurance Policies Valued Pursuant to Appendix A-830 of the NAIC Accounting Practices and Procedures Manual.**

(1) The 2001 CSO Mortality Table and 2001 CSO Preferred Class Structure Mortality Table may be used in valuing a life policy pursuant to Appendix A-830 in the following

manner, subject to the transition dates for use of the 2001 CSO Mortality Table in §120-2-90-04;

(a) In determining the applicability of Appendix A-830 to any universal life policy, the net level reserve premium for the secondary guarantee period is based on the ultimate mortality rates in the 2001 CSO Mortality Table or the ultimate mortality rates in the 2001 CSO Preferred Class Structure Mortality Table.

(b) All calculations under the contract segmentation method are made using the 2001 CSO Mortality Rate, and, if elected, the optional minimum mortality standard for deficiency reserves stipulated in 120-2-90-.06(1)(d) of this regulation. 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.

(c) For purposes of general calculation requirements for basic reserves, the 2001 CSO Mortality Table or 2001 CSO Preferred Class Structure Mortality Table is the minimum standard.

(d) For purposes of general calculation requirements for deficiency reserves, the 2001 CSO Mortality Table or 2001 CSO Preferred Class Structure Mortality Table is the minimum standard. If select mortality rates are used, they may be multiplied by X percent for durations in the first segment, subject to the conditions specified in §17c of Appendix A-830. 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 or 2001 CSO Preferred Class Structure Mortality Table, unless the combination is explicitly required by regulation or necessary to be in compliance with relevant Actuarial Standards of Practice.

(e) For calculating the minimum value of basic reserves for policies with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits (other than universal life policies), the valuation mortality table used in determining the tabular cost of insurance shall be the ultimate mortality rates in the 2001 CSO Mortality Table or 2001 CSO Preferred Class Structure Mortality Table.

(f) For determining the optional exemption for yearly renewable term reinsurance for policies with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits (other than universal life policies), the calculations shall use the maximum valuation interest rate and the ultimate mortality rates in the 2001 CSO Mortality Table or 2001 CSO Preferred Class Structure Mortality Table.

(g) For determining the optional exemption for attained-age-based yearly renewable term life policies with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits (other than universal life policies), the calculations shall use the maximum valuation interest rate and the ultimate mortality rates in the 2001 CSO Mortality Table or 2001 CSO Preferred Class Structure Mortality Table.

(h) For determining the exemption for unitary reserves for certain n-year renewable term life policies with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits (other than universal life policies), the calculations shall use the ultimate mortality rates in the 2001 CSO Mortality Table or 2001 CSO Preferred Class Structure Mortality Table.

(i) For flexible premium and fixed premium universal life policies that contain provisions resulting in the ability of a policyholder to keep a policy in force over a secondary guarantee period, the one-year valuation premium for purposes of identifying policies with a secondary guarantee shall be calculated using the ultimate mortality rates in the 2001 CSO Mortality Table or 2001 CSO Preferred Class Structure Mortality Table.

(2) Nothing in this section shall be construed to expand the applicability of Appendix A-830 to include the life insurance policies otherwise exempted under Appendix A-830.

#### **120-2-90-.07 Gender-Blended Tables.**

(1) For any ordinary life insurance policy delivered or issued for delivery in this state on and after the effective date of this regulation, 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 plan of insurance, be substituted for the 2001 CSO Mortality Table for use in determining minimum cash surrender values and amounts of paid-up nonforfeiture benefits. No change in minimum valuation standards is implied by this subsection of the regulation.

(2) The company may choose from among the blended tables developed by the American Academy of Actuaries CSO Task Force and adopted by the NAIC in December 2002.

#### **120-2-90-.08 Severability.**

If any provision of this regulation or its application to any person or circumstance is for any reason held to be invalid, the remainder of the regulation and the application of the provision to other persons or circumstances shall not be affected.

#### **120-2-90-.09 Effective Date.**

The effective date of this regulation regarding the recognition of the use of the 2001 CSO Preferred Class Structure Mortality Table in determining reserve liabilities shall be January 1, 2007.