

**Recognition of Preferred Mortality Tables for Use in Determining
Minimum Reserve Liabilities**

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Sec. 38a-78-31. Purpose

The purpose of sections 38a-78-31 to 38a-78-35, inclusive, of the Regulations of Connecticut State Agencies is to recognize, permit and prescribe the use of mortality tables that reflect differences in mortality between Preferred and Standard lives in determining minimum reserve liabilities in accordance with the Standard Valuation Law, subsection (d) of section 38a-78 of the Connecticut General Statutes.

(Adopted effective December 29, 2006)

Sec. 38a-78-32. Definitions

As used in sections 38a-78-31 to 38a-78-35, inclusive, of the Regulations of Connecticut State Agencies:

(1) "2001 CSO Mortality Table" means that mortality table, consisting of separate rates of mortality for male and female lives, developed by the American Academy of Actuaries CSO Task Force from the Valuation Basic Mortality Table developed by the Society of Actuaries Individual Life Insurance Valuation Mortality Task Force, proposed to the NAIC's Life and Health Actuarial Task Force at its June 2002 meeting and adopted by the NAIC in December 2002. The 2001 CSO Mortality Table is included in the Proceedings of the NAIC (2nd Quarter 2002) and supplemented by the 2001 CSO Preferred Class Structure Mortality Table. Unless the context indicates otherwise, the "2001 CSO Mortality Table" includes both the ultimate form of that table and the select and ultimate form of that table and includes both the smoker and nonsmoker mortality tables and the composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality tables. Mortality tables in the 2001 CSO Mortality Table include the following:

- (A) 2001 CSO Mortality Table (F);
- (B) 2001 CSO Mortality Table (M);
- (C) Composite mortality tables; and
- (D) Smoker and nonsmoker mortality tables.

(2) "2001 CSO Mortality Table (F)" means that mortality table consisting of the rates of mortality for female lives from the 2001 CSO Mortality Table.

(3) "2001 CSO Mortality Table (M)" means that mortality table consisting of the rates of mortality for male lives from the 2001 CSO Mortality Table.

(4) "Composite mortality tables" means mortality tables with rates of mortality that do not distinguish between smokers and nonsmokers.

(5) "Smoker and nonsmoker mortality tables" means mortality tables with separate rates of mortality for smokers and nonsmokers.

(6) "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 Stan-

dard Smokers splits of the 2001 CSO Nonsmoker and Smoker mortality tables as adopted by the NAIC at the September 2006 national meeting and published in the Proceedings of the NAIC (3rd 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.

(7) "Commissioner" means the Insurance Commissioner.

(8) "NAIC" means the National Association of Insurance Commissioners.

(9) "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.

(Adopted effective December 29, 2006)

Sec. 38a-78-33. 2001 CSO preferred class mortality table

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 section 38a-78-34 of the Regulations of Connecticut State Agencies, 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. For policies issued on or after January 1, 2004, and prior to January 1, 2007, 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 standards for such policies with the consent of the commissioner and subject to the conditions of section 38a-78-34 of the Regulations of Connecticut State Agencies. In determining such consent, the commissioner may rely on the consent of the commissioner of the company's state of domicile. No such election shall be made until the company demonstrates at least twenty percent 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 the 2001 CSO Mortality Table, pursuant to the requirements of this section, 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".

(Adopted effective December 29, 2006; amended June 3, 2010)

Sec. 38a-78-34. Conditions

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

(1) The present value of death benefits over the next ten years after the valuation date, using the anticipated mortality experience without recognition of mortality

improvement beyond the valuation date for each class, is less than the present value of death benefits using the valuation basic table corresponding to the valuation table being used for that class; and

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

(b) For each plan of insurance with separate rates for preferred and standard smokers lives, an insurer may use the Preferred Smokers and Residual Standard Smokers mortality 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 Smokers Mortality Table, the appointed actuary shall certify that:

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

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

(c) Unless exempted by the commissioner, every authorized insurer using the 2001 CSO Preferred Class Structure Mortality Table shall annually file with the commissioner, with the NAIC, or with a statistical agent designated by the NAIC, and that which is 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 sections 38a-78-1 to 38a-78-34, inclusive of the Regulations of Connecticut State Agencies. 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 that which is acceptable to the commissioner.

(d) The company shall not use the 2001 CSO Preferred Class Structure Mortality Table for the valuation of policies issued on or after January 1, 2004, and prior to January 1, 2007 in any statutory financial statement in which a company reports, with respect to any policy or portion of a policy coinsured, either of the following:

(1) In cases where the mode of payment of the reinsurance premium is less frequent than the mode of payment of the policy premium, a reserve credit that exceeds the gross reserve calculated before reinsurance, by more than the amount specified in this subdivision as Y. Y is the amount of the gross reinsurance premium that (A) provides coverage for the period from the next policy premium due date to the earlier of the end of the policy year or the next reinsurance premium due date, and (B) would be refunded to the ceding entity upon the termination of the policy; or

(2) In cases where the mode of payment of the reinsurance premium is more frequent than the mode of payment of the policy premium, a reserve credit that is less than the gross reserve calculated before reinsurance, by less than the amount specified in this paragraph as Z. Z is the amount of the gross reinsurance premium that the ceding entity would need to pay the assuming company to provide reinsurance

coverage from the period of the next reinsurance premium due date to the next policy premium due date minus any liability established for the proportionate amount not remitted to the reinsurer.

(e) For purposes of subsection (d) of this section, both the reserve credit and the gross reserve before reinsurance (1) for the mean reserve method shall be defined as the mean reserve minus the deferred premium asset, and (2) for the mid-terminal reserve method, shall include the unearned premium reserve. A company may estimate and adjust its accounting on an aggregate basis in order to meet the conditions to use the 2001 CSO Preferred Class Structure Table.

(Adopted effective December 29, 2006; amended June 3, 2010)

Sec. 38a-78-35. Separability

If any provision of sections 38a-78-31 to 38a-78-34, inclusive, of the Regulations of Connecticut State Agencies or its application to any person or circumstance is for any reason held to be invalid, the remainder of said sections and the application of the provision to other persons or circumstances shall not be affected.

(Adopted effective December 29, 2006)
