

1.1 **Department of Commerce**

1.2 **Proposed Permanent Rules Governing the Valuation of Life Insurance Policies**

1.3 **2747.0030 GENERAL CALCULATION REQUIREMENTS FOR BASIC**
1.4 **RESERVES AND PREMIUM DEFICIENCY RESERVES.**

1.5 [For text of subp 1, see M.R.]

1.6 Subp. 2. **Deficiency reserves.** Deficiency reserves, if any, are calculated for each
1.7 policy as the excess, if greater than zero, of the quantity A over the basic reserve. The
1.8 quantity A is obtained by recalculating the basic reserve for the policy using guaranteed
1.9 gross premiums instead of net premiums when the guaranteed gross premiums are less
1.10 than the corresponding net premiums. At the election of the company for any one or more
1.11 specified plans of insurance, the quantity A and the corresponding net premiums used in
1.12 the determination of quantity A may be based upon the 1980 CSO valuation tables with
1.13 select mortality factors, or any other valuation mortality table adopted by the National
1.14 Association of Insurance Commissioners after January 1, 2000, and adopted by rule by the
1.15 commissioner. If select mortality factors are elected, they may be:

1.16 [For text of items A and B, see M.R.]

1.17 C. for durations in the first segment, X percent of the select mortality factors in
1.18 part 2747.0060, subject to the following:

1.19 (1) X may vary by policy year, policy form, underwriting classification,
1.20 issue age, or any other policy factor expected to affect mortality experience;

1.21 (2) ~~X shall not be less than 20 percent;~~

1.22 (3) ~~X shall not decrease in any successive policy years;~~

1.23 (4) (2) X is such that, when using the valuation interest rate used for basic
1.24 reserves, unit (a) is greater than or equal to unit (b):

2.1 (a) the actuarial present value of future death benefits, calculated using
2.2 the mortality rates resulting from the application of X; and

2.3 (b) the actuarial present value of future death benefits calculated using
2.4 anticipated mortality experience without recognition of mortality improvement beyond
2.5 the valuation date;

2.6 ~~(5)~~ (3) X is such that the mortality rates resulting from the application of
2.7 X are at least as great as the anticipated mortality experience, without recognition of
2.8 mortality improvement beyond the valuation date, in each of the first five years after
2.9 the valuation date;

2.10 ~~(6)~~ (4) the appointed actuary shall increase X at any valuation date where it
2.11 is necessary to continue to meet all the requirements of this item;

2.12 ~~(7)~~ (5) the appointed actuary may decrease X at any valuation date as long
2.13 as X ~~does not decrease in any successive policy years and as long as it~~ continues to meet
2.14 all the requirements of this item;

2.15 ~~(8)~~ (6) the appointed actuary shall specifically take into account the adverse
2.16 effect on expected mortality and lapsation of any anticipated or actual increase in gross
2.17 premiums; and

2.18 ~~(9)~~ (7) if X is less than 100 percent at any duration for any policy, the
2.19 following requirements shall be met:

2.20 (a) the appointed actuary shall annually prepare an actuarial opinion
2.21 and memorandum for the company in conformance with part ~~2711.0080~~ 2711.0230; and

2.22 (b) the appointed actuary shall disclose, in the Regulatory Asset
2.23 Adequacy Issues Summary, the impact of the insufficiency of assets to support the
2.24 payment of benefits and expenses and the establishment of statutory reserves during
2.25 one or more interim periods; and

3.1 ~~(b)~~ (c) the appointed actuary shall annually give an opinion for all
3.2 policies subject to this chapter as to whether the mortality rates resulting from the
3.3 application of X meet the requirements of this item. This opinion shall be supported by an
3.4 actuarial report, subject to appropriate Actuarial Standards of Practice promulgated by the
3.5 Actuarial Standards Board of the American Academy of Actuaries. The X factors shall
3.6 reflect anticipated future mortality, without recognition of mortality improvement beyond
3.7 the valuation date, taking into account relevant emerging experience; or

3.8 [For text of item D, see M.R.]

3.9 [For text of subps 3 to 6, see M.R.]