

WEST VIRGINIA  
SECRETARY OF STATE  
KEN HECHLER  
ADMINISTRATIVE LAW DIVISION

Form #2

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JUN 3 4 03 PM '98

OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

NOTICE OF A COMMENT PERIOD ON A PROPOSED RULE

AGENCY: Insurance Commission TITLE NUMBER: 114

RULE TYPE: Legislative; CITE AUTHORITY HB 4283 - W. Va. Code § 33-7-9a

AMENDMENT TO AN EXISTING RULE: YES  NO

IF YES, SERIES NUMBER OF RULE BEING AMENDED: 45-1 et seq.

TITLE OF RULE BEING AMENDED: Recognizing Annuity Mortality Tables For Use In

Determining Reserve Liabilities For Annuities

IF NO, SERIES NUMBER OF NEW RULE BEING PROPOSED: \_\_\_\_\_

TITLE OF RULE BEING PROPOSED: \_\_\_\_\_

IN LIEU OF A PUBLIC HEARING, A COMMENT PERIOD HAS BEEN ESTABLISHED DURING WHICH ANY INTERESTED PERSON MAY SEND COMMENTS CONCERNING THESE PROPOSED RULES. THIS COMMENT PERIOD WILL END ON July 6, 1998 AT 4:00 p.m. ONLY WRITTEN COMMENTS WILL BE ACCEPTED AND ARE TO BE MAILED TO THE FOLLOWING ADDRESS:

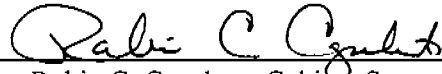
Offices Of The Insurance Commissioner

ATTN: Legal Division

P.O. Box 50540

Charleston, WV 25305-0540

THE ISSUES TO BE HEARD SHALL BE LIMITED TO THIS PROPOSED RULE.



Robin C. Capehart, Cabinet Secretary

6/3/98  
Date

ATTACH A **BRIEF** SUMMARY OF YOUR PROPOSAL

\$2.60

Insurance Commissioner  
Legislative Rule  
Title 114, Series 45

**RECOGNIZING ANNUITY MORTALITY TABLES FOR USE  
IN DETERMINING RESERVE LIABILITIES FOR ANNUITIES**

Title 114, Series 45

**BRIEF SUMMARY OF RULE**

House Bill 4283 was passed by the West Virginia Legislature on March 14, 1998 and effective ninety (90) days from passage. The bill requires, at West Virginia Code § 33-7-9a, that the West Virginia Insurance Commissioner propose a rule by July 1, 1998, which adopts two new mortality tables for use by insurers when reserving for annuities. These tables, known as the Annuity 2000 Mortality Table and the 1994 Group Annuity Reserving Table (1994 GAR), are part of a group of tables approved in the National Association of Insurance Commissioners' (NAIC) model rule "Recognizing Annuity Mortality Tables for Use in Determining Reserve Liabilities for Annuities". The West Virginia Commissioner had adopted, at Series 45, an earlier version of this model rule in April 1996. The earlier version did not contain the Annuity 2000 or the 1994 GAR tables. The proposed amendment to Series 45 incorporates the two new tables and brings the West Virginia rule into compliance with the current NAIC model. The rule also explains the circumstances in which the respective forms are to be used.

Insurance Commissioner  
Legislative Rule  
Title 114, Series 45

**RECOGNIZING ANNUITY MORTALITY TABLES FOR USE  
IN DETERMINING RESERVE LIABILITIES FOR ANNUITIES**

**Title 114, Series 45**

**STATEMENT OF CIRCUMSTANCES**

House Bill 4283 was passed by the West Virginia Legislature on March 14, 1998 and effective ninety (90) days from passage. The bill requires, at West Virginia Code § 33-7-9a, that the West Virginia Insurance Commissioner propose a rule by July 1, 1998, which adopts two new mortality tables for use by insurers when reserving for annuities. These tables, known as the Annuity 2000 Mortality Table and the 1994 Group Annuity Reserving Table (1994 GAR), are part of a group of tables approved in the National Association of Insurance Commissioners' (NAIC) model rule "Recognizing Annuity Mortality Tables for Use in Determining Reserve Liabilities for Annuities". The West Virginia Commissioner had adopted, at Series 45, an earlier version of this model rule in April 1996. The earlier version did not contain the Annuity 2000 or the 1994 GAR tables. The proposed amendment to Series 45 incorporates the two new tables and brings the West Virginia rule into compliance with the current NAIC model. The rule also explains the circumstances in which the respective forms are to be used.

APPENDIX B

FISCAL NOTE FOR PROPOSED RULES

Rule Title: Recognizing Annuity Mortality Tables for Use in  
Determining Reserve Liability for Annuities  
Title 114, Series 45

Type of Rule:  Legislative  Interpretive  Procedural

Agency: Insurance Commissioner

Address: Post Office Box 50540  
1124 Smith Street, Greenbrooke Building  
Charleston, West Virginia 25305-0540

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1. Effect of Proposed Rule

|                          | ANNUAL FISCAL YEAR |          |         |       |            |
|--------------------------|--------------------|----------|---------|-------|------------|
|                          | Increase           | Decrease | Current | Next  | Thereafter |
| ESTIMATED TOTAL COST     | \$ -0-             | \$ -0-   | \$-0-   | \$-0- | \$ -0-     |
| PERSONAL SERVICES        | -0-                | -0-      | -0-     | -0-   | -0-        |
| CURRENT EXPENSE          | -0-                | -0-      | -0-     | -0-   | -0-        |
| REPAIRS AND ALTERNATIONS | -0-                | -0-      | -0-     | -0-   | -0-        |
| EQUIPMENT                | -0-                | -0-      | -0-     | -0-   | -0-        |
| OTHER                    | -0-                | -0-      | -0-     | -0-   | -0-        |

2. Explanation of above estimates:

There will be no fiscal impact for the state or the industry.

3. Objectives of these rules:

To standardize reserving methods used by insurers who offer annuity products.

Rule Title: Recognizing Annuity Mortality Tables for Use in  
Determining Reserve Liability for Annuities  
Title 114, Series 45

4. Explanation of Overall Economic Impact of Proposed Rule.

A. Economic Impact on State Government.

None.

B. Economic Impact on Political Subdivisions; Specific  
Industries; Specific groups of Citizens.

None.

C. Economic Impact on Citizens/Public at Large.

None.

Date: 5/1/98

Signature of Agency Head or Authorized Representative

B. Keith Huffman, General Counsel to the  
Insurance Commissioner

114CSR45

TITLE 114  
LEGISLATIVE RULE  
INSURANCE COMMISSIONER

SERIES 45  
RECOGNIZING ANNUITY MORTALITY TABLES  
FOR USE IN DETERMINING RESERVE LIABILITIES FOR ANNUITIES

FILED  
JUN 3 4 03 PM '98  
OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

**§114-45-1. General.**

This Legislative rule applies to all life insurance companies and fraternal benefit societies doing business in this State and to all life insurance companies and fraternal benefit societies which are authorized to reinsure life insurance, annuities or accident and health insurance business in this State.

1.2. Authority. -- W. Va. Code §§33-2-10, 33-7-9a and 33-7-9(e)(2),(3) and (5).

1.3. Filing Date. -- ~~April 2, 1996.~~

1.4 Effective Date. -- ~~April 2, 1996.~~

**§114-45-2. Purpose.**

The purpose of this rule is to recognize ~~two~~ the following mortality tables: ~~the 1983 table "a" and the 1983 GAM (Group Annuity Mortality) table;~~ for use in determining the minimum standard of valuation for annuity and pure endowment contracts: the 1983 table "a"; the 1983 Group Annuity Mortality (1983 GAM) Table; the Annuity 2000 Mortality Table; and the 1994 Group Annuity Reserving (1994 GAR) Table.

**§114-45-3. Definitions.**

3.1. As used in this rule "1983 Table 'a'" means that mortality table developed by the Society of Actuaries Committee to recommend a new mortality basis for individual annuity valuation and adopted as a recognized mortality table for annuities in June 1982 by the National Association of Insurance Commissioners.

3.2. As used in this rule "1983 GAM Table" means that mortality table developed by the Society of Actuaries Committee on annuities and adopted as a recognized mortality table for annuities in December 1983 by the National Association of Insurance Commissioners.

3.3. As used in this rule "1994 GAR Table" means that mortality table developed by the Society of Actuaries Group Annuity Valuation Table Task Force and shown at XLVII Transactions of the Society of Actuaries 866-867 (1995).

3.4. As used in this rule "Annuity 2000 Mortality Table" means that mortality table developed by the Society of Actuaries Committee on Life Insurance Research and shown at XLVII Transactions of the Society of Actuaries 240 (1995).

#### **§114-45-4. Individual Annuity or Pure Endowment Contracts.**

4.1. Except as provided in subsections 4.2 and 4.3 of this section, ~~the~~ 1983 table "a" is recognized and approved as an individual annuity mortality table for valuation and, at the option of the life insurance company or fraternal benefit society, may be used for purposes of determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after April 6, 1977.

4.2. Except as provided in subsection 4.3 of this section either, ~~the~~ 1983 table "a" or the Annuity 2000 Mortality Table shall be used for determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after January 1, 1997.

4.3. Except as provided in subsection 4.4 of this section, the Annuity 2000 Mortality Table shall be used for determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after April 1, 1999.

4.4 The 1983 Table "a" without projection is to be used for determining the minimum standards of valuation for an individual annuity or pure endowment contract issued on or after April 1, 1999, solely when the contract is based on life contingencies and is issued to fund periodic benefits arising from:

- a. Settlements of various forms of claims pertaining to court settlements or out of court settlements from tort actions;
- b. Settlements involving similar actions such as worker's compensation claims; or
- c. Settlements of long term disability claims where a temporary or life annuity has been used in lieu of continuing disability payments.

#### **§114-45-5. Group Annuity or Pure Endowment Contracts.**

5.1. Except as provided in subsections 5.2 and 5.3 of this section, ~~the~~ 1983 GAM table ~~and~~ the 1983 table "a", ~~and the 1993 GAR Table~~ are recognized and approved as group annuity mortality tables for valuation and, at the option of the life insurance company or fraternal benefit society, ~~either~~ any one of these tables may be used for purposes of valuation for any annuity or pure endowment

purchased on or after April 6, 1977 under a group annuity or pure endowment contract.

5.2. Except as provided in subsection 5.3 of this section, either the 1983 GAM table or the 1994 GAR Table shall be used for determining the minimum standard of valuation for any annuity or pure endowment purchased on or after January 1, 1997 under a group annuity or pure endowment contract.

5.3. The 1994 GAR Table shall be used for determining the minimum standard of valuation for any annuity or pure endowment purchased on or after April 1, 1999 under a group annuity or pure endowment contract.

**§114-45-6. Application of the 1994 GAR Table.**

In using the 1994 GAR Table, the mortality rate for a person age x in year (1994 +n) is calculated as follows:

$$q_x^{1994+n} = q_x^{1994} (1 - AA_x)^n$$

where the  $q_x^{1994}$  and  $AA_x$ s are as specified in the 1994 GAR Table.