

**WEST VIRGINIA
SECRETARY OF STATE
KEN HECHLER
ADMINISTRATIVE LAW DIVISION**

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OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

Form #3

**NOTICE OF AGENCY APPROVAL OF A PROPOSED RULE
AND
FILING WITH THE LEGISLATIVE RULE-MAKING REVIEW COMMITTEE**

AGENCY: Insurance Commission TITLE NUMBER: 114

CITE AUTHORITY: W. Va. Code §§ 33-7-9a and 33-2-10

AMENDMENT TO AN EXISTING RULE: YES NO

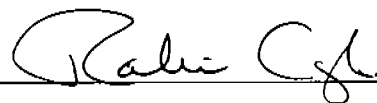
IF YES, SERIES NUMBER OF RULE BEING AMENDED: Series 45

TITLE OF RULE BEING AMENDED: Recognizing Annuity Mortality Tables for Use In
Determining Reserve Liabilities for Annuities

IF NO, SERIES NUMBER OF RULE BEING PROPOSED: _____

TITLE OF RULE BEING PROPOSED: _____

THE ABOVE PROPOSED LEGISLATIVE RULE HAVING GONE TO A PUBLIC HEARING OR A PUBLIC COMMENT PERIOD IS HEREBY APPROVED BY THE PROMULGATING AGENCY FOR FILING WITH THE SECRETARY OF STATE AND THE LEGISLATIVE RULE-MAKING REVIEW COMMITTEE FOR THEIR REVIEW.



Robin C. Caphart, Cabinet Secretary

July 29, 1998

Date

\$4.40



STATE OF WEST VIRGINIA
Offices of the Insurance Commissioner

Legal Division

GASTON CAPERTON
Governor

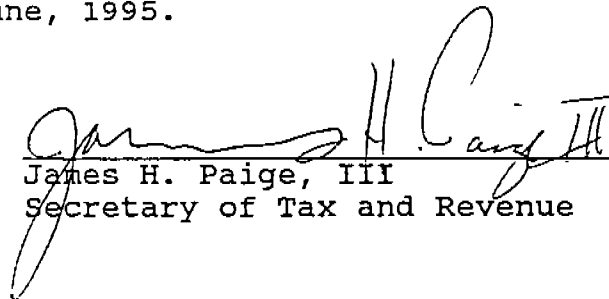
HANLEY C. CLARK
Insurance Commissioner

CONSENT TO FILING OF RULE

To Whom It May Concern:

Pursuant to West Virginia Code § 5F-2-2(a)(12), the undersigned hereby grants consent to the filing of the following rule proposed by the Insurance Commissioner of the State of West Virginia: Title 114, Series 45, relating to "Recognizing Annuity Mortality Tables for Use in Determining Reserve Liabilities for Annuities".

Signed this 26th day of June, 1995.


James H. Paige, III
Secretary of Tax and Revenue

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
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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

DATE: July 24, 1998

TO: LEGISLATIVE RULE-MAKING REVIEW COMMITTEE

FROM: OFFICE OF THE INSURANCE COMMISSIONER

LEGISLATIVE RULE TITLE: RECOGNIZING ANNUITY MORTALITY TABLES
FOR USE IN DETERMINING RESERVE LIABILITIES
FOR ANNUITIES, SERIES 45

1. Authorizing statute(s) citation: West Virginia Code §§ 33-7-9a and 33-2-10.

2. a. Date filed in State Register with Notice of Hearing: June 3, 1998.

b. What other notice, including advertising, did you give of the hearing?

None

c. Date of hearing(s): The public comment period ended on July 6, 1998.

d. Attach list of persons who appeared at hearing, comments received, amendments, reasons for amendments.

Attached _____ No comments received

e. Date you filed in State Register the agency approved proposed Legislative Rule following public hearing: (be exact)

July 30, 1998

f. Name and phone number of agency person to contact for additional information:

B. Keith Huffman
General Counsel
(304) 558-0401

3. If the statute under which you promulgated the submitted rules requires certain findings and determinations to be made as a condition precedent to their promulgation:

a. Give the date upon which you filed in the State Register a notice of the time and place of a hearing for the taking of evidence and a general description of the issues to be decided.

Not applicable

b. Date of hearing: Not applicable

c. On what date did you file in the State Register the findings and determinations required together with the reasons therefor?

Not applicable

d. Attach findings and determinations and reasons:

Attached: Not applicable

FILED

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OFFICE OF THE VIRGINIA
SECRETARY OF STATE

114CSR45

TITLE 114
LEGISLATIVE RULE
INSURANCE COMMISSIONER

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

§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.

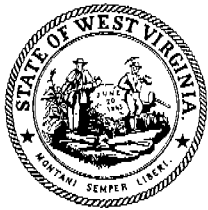
5.3. The 1994 GAR Table shall be used for determining the minimum standard of valuation for any annuity or pure endowment purchased on or after April 1, 1999 under a group annuity or pure endowment contract.

§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.



STATE OF WEST VIRGINIA
Offices of the Insurance Commissioner

Legal Division

CECIL H. UNDERWOOD
Governor

July 30, 1998

HANLEY C. CLARK
Insurance Commissioner

HAND DELIVERED

Ms. Judy Cooper
Administrative Law Division
Office of Secretary of State
State Capitol
Charleston, West Virginia 25305

Dear Ms. Cooper:

Enclosed please find for filing one (1) copy of the following:

- 1) Notice of Agency Approval of a Proposed Rule and filing with the Legislative Rule-Making Review Committee;
- 2) Consent of Tax and Revenue Cabinet Secretary to Proposed Rule;
- 3) Brief Summary of the Rule;
- 4) Statement of Circumstances;
- 5) Fiscal Note;
- 6) Legislative Rule-Making Review Committee Questionnaire; and
- 7) The Agency Approved Proposed Rule Entitled "Recognizing Annuity Mortality Tables for Use in Determining Reserve Liabilities for Annuities" (Series 45).

Please contact me if further information is required.

Sincerely,

B. Keith Huffman
General Counsel

BKH/ksb

Enclosures

P.O. Box 50540
Charleston, West Virginia 25305-0540

"We are an Equal Opportunity Employer"

Telephone (304) 558-0401
Facsimile (304) 558-1362

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