

INS 2.30 MORTALITY
TABLES 98-058



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE



Tommy G. Thompson
Governor

Randy Blumer
Commissioner (Acting)

July 3, 1998

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HONORABLE ROBERT WELCH
SENATE CO-CHAIRPERSON
JOINT COMM FOR REVIEW OF ADM RULES
1 E. MAIN RM 201
MADISON WI 53702

Re: Rule, Section Ins 2.30, Wis. Adm. Code, relating to adopting additional annuity mortality tables

Clearinghouse Rule No. 98-058

Dear Senator Welch:

I am enclosing a copy of this proposed rule which has been submitted to the presiding officers of the legislative houses under s. 227.19 (2), Wis. Stat. A copy of the report required under s. 227.19 (3), Wis. Stat., is also enclosed.

Best Regards,

Randy Blumer
Commissioner of Insurance

RB:SM

Attachment: 1 copy rule & legislative report

END



END



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REPORT ON Section Ins 2.30, Wis. Adm. Code, relating to
adopting additional annuity mortality tables

Clearinghouse Rule No 98-058
Submitted Under s. 227.19 (3), Stats.
The proposed rule-making order is attached.

(a) Statement of need for the proposed rule

The purpose of this rule is to amend current rule Ins. 2.30, Wis. Adm. Code to add updated mortality tables approved for use by insurers to determine reserve liabilities for annuity contracts. The currently in-force mortality tables are based on a National Association of Insurance Commissioners (NAIC) Model Act adopted by OCI in 1985. This proposed amendment conforms the rule to recent NAIC Model Act changes by adding 2 more tables, the "1994 GAR Table" and the "Annuity 2000 Mortality Table".

(b) Modifications made in proposed rule based on testimony at public hearing:

None

(c) Persons who appeared or registered regarding the proposed rule:

Appearances For:

None

Appearances Against:

None

Appearances For Information:

David Heineck, Actuary, Office of Commissioner of Insurance

Registrations For:

Patricia Parachini, American Council of Life Insurance, by Lois Roisum, WALHI

James Tenuta, Wisconsin Association of Life and Health Insurers, by Lois Roisum, WALHI

Registrations Against:

None

Registrations Neither for nor against:

None

Letters received:

May 14, 1998, Patricia Parachini, American Council of Life Insurance, for
June 8, 1998, William Carter, Northwestern Mutual Life, for

(d) Response to Legislative Council staff recommendations

All comments were complied with and corrected except the following:
Comment 2.b. suggested that each unit added to s. INS. 2.30 be treated separately and not be created through the use of underscoring. It was felt that the use of underscoring more efficiently and clearly illustrates the changes and additions to the rule and does not change the meaning of the rule. The final published version will be the new rule without strike-through or underscoring.

(e) Regulatory flexibility analysis

1. None of the methods specified under s. 227.14 (2), Stats., for reducing the rule's impact on small businesses were included because all must be treated equally and thus it is not possible to have different rules for one segment of the population.
2. No issues were raised by small businesses during the hearing on the proposed rule.
3. The proposed rule does not impose any additional reporting requirements on small businesses.
4. The proposed rule does not require any additional measures or investments by small businesses.
5. No methods specified under s. 227.114 (2), Stats., are included in the proposed rule.
6. No methods specified under s. 227.114 (2), Stats., are included in the proposed rule.

(f) Fiscal Effect

See fiscal estimate attached to proposed rule.

Attachment: Legislative Council Staff Recommendations
July 3, 1998

WISCONSIN LEGISLATIVE COUNCIL STAFF



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CLEARINGHOUSE REPORT TO AGENCY

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

CLEARINGHOUSE RULE 98-058

AN ORDER to amend Ins 2.30, relating to adopting additional annuity mortality tables.

Submitted by **OFFICE OF THE COMMISSIONER OF INSURANCE**

04-17-98 RECEIVED BY LEGISLATIVE COUNCIL.
05-14-98 REPORT SENT TO AGENCY.

RNS:GAA:kjf

LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached YES NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached YES NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached YES NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS
[s. 227.15 (2) (e)]

Comment Attached YES NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached YES NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached YES NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

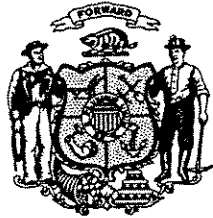
Comment Attached YES NO

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CLEARINGHOUSE RULE 98-058

Comments

[NOTE: All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated October 1994.]

2. Form, Style and Placement in Administrative Code

- a. In the treatment clause of SECTION 1, "s." should be deleted.
- b. Several provisions are created in s. Ins 2.30 through the use of underscoring. When a new unit of a rule is being created, the treatment clause should state this and the unit should not be underscored. [See s. 1.06 (1), Manual.]

**PROPOSED ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE
AMENDING A RULE**

To amend Ins 2.30 Wis. Adm. Code, relating to adopting additional annuity mortality tables.

ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

The purpose of this rule is to amend current rule Ins. 2.30, Wis. Adm. Code to add updated mortality tables approved for use by insurers to determine reserve liabilities for annuity contracts. The currently in-force mortality tables are based on a National Association of Insurance Commissioners (NAIC) Model Act adopted by OCI in 1985. The current rule incorporates those tables by reference to the Proceedings of the NAIC where they were published in 1982 and 1984.

This proposed amendment conforms the rule to recent NAIC Model Act changes by adding 2 more tables, the "1994 GAR Table" and the "Annuity 2000 Mortality Table". Although these tables were adopted by the NAIC for this purpose the NAIC has chosen not to publish these new tables in their Proceedings bulletin. Therefore these tables are incorporated by reference to the publication Transactions, Society of Actuaries where these tables were first published after adoption by the Society of Actuaries.

The attorney general and revisor have approved incorporating these additional tables by reference to the Transactions, Society of Actuaries volume XLVII.

Statutory authority: ss. 601.41, 623.02 & 623.06, Stats.

Statutes interpreted: ss. 623.02 & 623.06, Stats.

SECTION 1. s. Ins 2.30 is amended to read:

INS 2.30 Annuity mortality tables.

(1) **PURPOSE.** The purpose of this section is to adopt, pursuant to s. 623.06 (2a) (b) and (d), Stats., ~~new mortality tables designated as "1983 Table A" and "1983 GAM Table"~~ for use in determining the minimum standard of valuation for annuity and pure endowment contracts.

(2) **DEFINITIONS.** (a) "NAIC" means the national association of insurance commissioners.

~~(a) (b)~~ "1983 Table A table 'a' " means that mortality table adopted for the valuation of individual annuity and pure endowment contracts in June of 1982 by the ~~National Association of Insurance Commissioners (NAIC)~~ and published on page 454, ~~NAIC Proceedings proceedings, Vol. vol. II~~ 1982.

~~(b) (c)~~ "1983 GAM Table table " means that those male and female group annuity mortality tables adopted for the valuation of group annuity and pure endowment contracts in December of 1983 by the ~~National Association of Insurance Commissioners (NAIC)~~ and published on pages 414-415, ~~NAIC Proceedings proceedings, Vol. vol. I,~~ 1984.

(d) "Annuity 2000 mortality table" means those male and female mortality tables adopted for the valuation of individual annuity and pure endowment contracts in December of 1996 by the NAIC as published on page 240, vol. XLVII, transactions, society of actuaries, 1995.

(e) "1994 GAR table" means the group annuity reserving table adopted for the valuation of group annuity and pure endowment contracts in December of 1996 by the NAIC as published on pages 866 & 867, vol. XLVII, transactions, society of actuaries, 1995.

(3) **INDIVIDUAL ANNUITY OR PURE ENDOWMENT CONTRACTS.** (a) The 1983 Table-A table 'a' may, ~~at the option of the insurer,~~ be used to determine the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after November 8, 1977 but before January 1, 1986.

(b) Either The-the 1983 Table-A table 'a' or the annuity 2000 mortality table shall be used to determine the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after January 1, 1986 but before January 1, 1999.

(c) Except as provided in par (d) the annuity 2000 mortality table shall be used to determine the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after January 1, 1999.

(d) The 1983 table a without projection shall be used for determining the minimum standards of valuation for an individual annuity or pure endowment contract issued on or after January 1, 1999 when the contract is based on life contingencies and is issued to fund periodic benefits arising from any of one of the following:

1. Settlements of various forms of claims pertaining to court settlements or out of court settlements from tort actions.
2. Settlements involving similar actions such as worker's compensation claims.

3. Settlements of long term disability claims where a temporary or life annuity has been used in lieu of continuing disability payments.

(4) **GROUP ANNUITY OR PURE ENDOWMENT CONTRACTS.** (a) Either The the 1983 GAM Table table , and the 1983 Table-A table 'a', or the 1994 GAR table may, at the option of the insurer, be used to value any annuity or pure endowment purchased on or after November 8, 1977 but before January 1, 1986 under a group annuity or pure endowment contract.

(b) Either The the 1983 GAM Table table or the 1994 GAR table shall be used to determine the minimum standard of valuation for any annuity or pure endowment contract purchased on or after January 1, 1986 but before January 1, 1999 under a group annuity or pure endowment contract.

(c) The 1994 GAR table shall be used for determining the minimum standard of valuation for any annuity or pure endowment contract purchased on or after January 1, 1999 under a group annuity or pure endowment contract.

(5) APPLICATION OF 1994 GAR TABLE

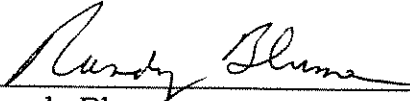
(a) In using the 1994 GAR table the mortality rate for a person age x in year (1994 + n) is calculated as follows:

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

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

SECTION 2 This rule is effective January 1, 1999.

Dated at Madison, Wisconsin, this 30th day of June 1998, 199 .



Randy Blumer

Commissioner of Insurance