Life Actuarial (A) Task Force/ Health Actuarial (B) Task Force
Amendment Proposal Form*

1.   Identify yourself, your affiliation and a very brief description (title) of the issue.

   American Academy of Actuaries Life Experience Committee and Society of Actuaries Preferred Mortality Oversight Group ("Joint" Committee),   Implementation of the 2017 Guaranteed Issue Mortality Tables

2.   Identify the document, including the date if the document is "released for comment," and the location in the document where the amendment is proposed:

   Valuation Manual adopted Aug. 2016,
      Intro – Reserve Requirement
      VM-01 - Definitions
      VM-02
      VM-M

3.   Show what changes are needed by providing a red-line version of the original verbiage with deletions and identify the verbiage to be deleted, inserted or changed by providing a red-line (turn on "track changes" in Word®) version of the verbiage. (You may do this through an attachment.)

   See the attached pages.

4.   State the reason for the proposed amendment? (You may do this through an attachment.)

   Based on an experience study of Guaranteed Issue business, mortality tables have been developed to be used for valuation of Guaranteed Issue policies. This amendment proposal is developed to implement these tables, assuming that Guaranteed Issue business will be valued on the current formula requirements but with the new tables. The tables are also applicable for nonforfeiture. The tables may be elected by the company for issues of 1/1/19 or later, and must be used for issues of 1/1/2022 and later.

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* This form is not intended for minor corrections, such as formatting, grammar, cross–references or spelling. Those types of changes do not require action by the entire group and may be submitted via letter or email to the NAIC staff support person for the NAIC group where the document originated.

NAIC Staff Comments:

Dates: Received	Reviewed by Staff	Distributed	Considered
Notes:			

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II. Reserve Requirements

This section provides the minimum reserve requirements by type of product. All reserve requirements provided by this section relate to business issued on or after the operative date of the *Valuation Manual*. All reserves must be developed in a manner consistent with the requirements and concepts stated in the Overview of Reserve Concepts in Section I of the *Valuation Manual*.

Guidance Note: The words "policies" and "contracts" are used interchangeably.

Life Insurance Products

A. This subsection establishes reserve requirements for all contracts issued on and after the operative date of the *Valuation Manual* that are classified as life contracts defined in SSAP No. 50 in the AP&P Manual, with the exception of annuity contracts and credit life contracts. Minimum reserve requirements for annuity contracts and credit life contracts are provided in other subsections of the *Valuation Manual*.

B. Minimum reserve requirements for variable and nonvariable individual life contracts—excluding Guaranteed Issue contracts, preneed life contracts, industrial life contracts, credit life contracts and policies of companies exempt pursuant to the companywide exemption in paragraph D below—are provided by VM-20, except for election of the transition period in paragraph C of this subsection.

Minimum reserve requirements of VM-20 are considered PBR requirements for purposes of the *Valuation Manual* and VM-31, PBR Actuarial Report Requirements for Business Subject to a Principle-Based Reserve Valuation, unless VM-20 or other requirements apply only the net premium reserve method or applicable requirements in VM-A, Appendix A – Requirements, and VM-C, Appendix C – Actuarial Guidelines. Minimum reserve requirements for life contracts not subject to VM-20 are those pursuant to applicable requirements in VM-A and VM-C. For Guaranteed Issue contracts issued after 12/31/2018, mortality tables are defined in VM-M.

C. A company may elect to establish minimum reserves pursuant to applicable requirements in VM-A and VM-C for business otherwise subject to VM-20 requirements and issued during the first three years following the operative date of the *Valuation Manual*. A company electing to establish reserves using the requirements of VM-A and VM-C may elect to use the 2017 Commissioners' Standard Ordinary (CSO) Tables as the mortality standard following the conditions outlined in VM-20 Section 3. If a company during the three years elects to apply VM-20 to a block of such business, then a company must continue to apply the requirements of VM-20 for future issues of this business.

VM-01

Definition XX – Guaranteed Issue Life Insurance Policy: A policy or certificate where the applicant must be accepted for coverage if the applicant is eligible. Eligibility requirements may include:
   • Being within a specified age range
   • Being an active member in an eligible group (e. g., group solicitation in direct marketing)

Inclusion in any of the following characteristics or product types disqualifies the policy as GI:
   • Actively at work requirement
   • Employer groups
   • Acceptance based on any health related questions or information
   • Waiving of underwriting requirements based on minimum participation thresholds, such as for worksite marketing
   • Corporate- / Bank-Owned Life Insurance (COLI / BOLI)
   • Credit Life Insurance
   • Juvenile-only products (e. g. under age 15)
   • Pre-Need

All remaining definitions need to be renumbered plus 1

Section 5: Mortality

Guidance Note: As any new Commissioners' Standard tables are adopted in the future, language or paragraphs will need to be added here to define what business is to use which tables. This will need to be coordinated with the valuation requirements contained in other sections of the *Valuation Manual*. Because of the various implications to systems, form filings and related issues (such as product tax issues), lead time is needed to implement new requirements without market disruption. Thus, it is recommended that the transition period referenced in the guidance note in Section 3.C.1.b of VM-20 be adopted; that is, that there be a transition period of about 4.5 years, that the table be adopted by July 1 of a given year, that it be permitted to be used starting Jan. 1 of the second following calendar year; that it be optional until Jan. 1 of the fifth following calendar year, thereafter mandatory.

A. Ordinary Life Insurance Policies

    1. For ordinary life insurance policies issued on or after Jan. 1, 2017, and prior to Jan. 1, 2020, except as provided in paragraph 2 and in Subsections B and E below, the minimum nonforfeiture standard shall be determined using the 2001 CSP Mortality Table as defined in Appendix M of this manual and subject to the conditions defined in VM-A-814 in Appendix A of this manual for using this mortality table and subject for minimum standards. The 2001 CSO Preferred Class Structure Tables shall not be used to determine the minimum nonforfeiture standard.

    2. Subject to the conditions stated below, the 2017 CSO Mortality Table as defined in VM-M Section 1.H.:

    a. May, at the election of the company, for one or more specified plans of insurance issued on or after Jan. 1, 2017.

    b. Shall, for policies issued on or after Jan. 1, 2020, to which section 5cH(6) of the *Standard Nonforfeiture Law for Life Insurance* (#808) is applicable, be used to determine minimum nonforfeiture standards according to the Model #808 or the state's equivalent statute. The 2017 CSO Preferred Structure Tables shall not be used to determine the minimum nonforfeiture standard.

    3. The following conditions shall apply with respect to the use of the 2017 CSO Mortality Table:

    a. For each plan of insurance with separate rates for smokers and nonsmokers, an insurer may use:

        i. Composite mortality tables to determine minimum cash surrender values and amounts of paid-up nonforfeiture benefits.

        ii. Smoker and nonsmoker mortality to determine minimum cash surrender values and amounts of paid-up nonforfeiture benefits.

    b. For plans of insurance without separate rates for smokers and nonsmokers, the composite mortality tables shall be used.

    c. For the purpose of determining minimum cash surrender values and amounts of paid-up nonforfeiture benefits, the 2017 CSO Mortality Table may, at the option of the company for each plan of insurance, be used in its ultimate or select and ultimate form.

    d. Gender-blended tables shall apply in the following circumstances:

For any ordinary life insurance policy delivered or issued for delivery that uses the same premium rates and charges for male and female lives or is issued in circumstances where applicable law does not permit distinctions on the basis of gender, a mortality table that is a blend of the 2017 CSO Mortality Table (M) and the 2017 CSO Mortality Table (F) may, at the option of the company for each plan of insurance, be used in determining minimum cash surrender values and amounts of paid-up nonforfeiture benefits.

B.   Pre-Need Life Insurance Policies

Pre-need life insurance policies issued on or after the operative date of this *Valuation Manual* shall have the minimum nonforfeiture standard computed based on the 1980 CSO Mortality Tables as defined in Appendix M.

C.   Same Minimum Nonforfeiture Standard for Men and Women

For any ordinary life insurance policy that uses the same premium rates and charges for male and female lives or is issued in circumstances where applicable law does not permit distinctions on the basis of gender, the minimum nonforfeiture standard shall use the gender-blended mortality derived from the mortality table assigned in this VM-02 for use in determining the minimum nonforfeiture standard. Weights used to determine the gender-blended table shall follow those provided in the *NAIC Procedure for Permitting Same Minimum Nonforfeiture Standards for Men and Women Insured Under 1980 CSO and CET Tables* (#811). The company may choose from among the blended tables, as appropriate, developed by the Academy CSO Task Force and adopted by the NAIC in December 2002 (preceding sentence taken from the Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation [#814], Section 7, B). These tables are defined in Appendix M under Gender Blended Tables.

D.   Industrial Life Insurance

The minimum nonforfeiture standard values for industrial life insurance policies shall be determined using the 1961 Industrial Standard Mortality Tables as defined in Appendix M.

E. Guaranteed Issue Life Insurance

The minimum nonforfeiture standard values for Guaranteed Issue Life Insurance policies issued after December 31, 2021, shall be determined using the 2017 Commissioners Standard Guaranteed Issue Mortality Tables defined in VM-M.   The company may elect to use the 2017 Commissions Standard Guaranteed Issue Mortality Tables in place of the tables defined in subsection A.1 above for policies issued January 1, 2019 or later.

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VM-M: APPENDIX M MORTALITY TABLES

Table of Contents

Definitions

    A. "Composite mortality table" means a mortality table with rates of mortality that do not distinguish between smokers and nonsmokers.

    B. "Smoker and nonsmoker mortality table" means a mortality table with separate rates of mortality for smokers and nonsmokers.

Section 1: Valuation Mortality Tables

    A. 1959 Accidental Death Benefits Table

    B. 1961 Commissioners Standard Industrial Mortality Table

    Composite Table (1961 CSI)

    Proceedings of the NAIC, 1961 Volume II: pages 538–540

    C. 1961 Commissioners Industrial Extended Term Insurance Table

    Composite Table (1961 CIET)

    Proceedings of the NAIC, 1961 Volume II: pages 541–543

    D.   1980 CSO Mortality Tables

        1   Composite tables (with optional 10-Year Select Mortality Factors) (1980 CSO)

        Proceedings of the NAIC, 1980 Volume I: page 598

        2   Smoker/Nonsmoker tables (1980 CSO NS and 1980 CSO SM)

        Proceedings of the NAIC, 1984: pages 406–413

        3.   Blended tables (1980 CSO B, 1980 CSO C, 1980 CSO D, 1980 CSO E, 1980 CSO F)

        Proceedings of the NAIC, 1984: pages 396–400

    E.   1980 Commissioners Extended Term Insurance Tables
        1.   Composite Tables (1980 CET)

        Proceedings of the NAIC, 1980 Volume I: page 619

        2.   Smoker/Nonsmoker tables (1980 CET NS and 1980 CET SM)

        Proceedings of the NAIC, 1984: pages 406–413

3. Blended tables (1980 CET B, 1980 CET C, 1980 CET D, 1980 CET E, 1980 CET F)

Proceedings of the NAIC, 1984: pages 396–400

F. 1983 Group Annuity Mortality Table Without Projection

G. 2001 Commissioners Standard Ordinary Mortality Tables (2001 CSO)

1. "2001 CSO Mortality Table" means that mortality table, consisting of separate rates of mortality for male and female lives, developed by the Academy CSO Task Force from the Valuation Basic Mortality Table developed by the SOA Individual Life Insurance Valuation Mortality Task Force, and adopted by the NAIC in December 2002. The 2001 CSO Mortality Table is included in the *Proceedings of the NAIC* (2nd Quarter 2002). 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.

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

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

4. "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 standard smoker splits of the 2001 CSO Nonsmoker and Smoker Tables, as adopted by the NAIC at the September, 2006 national meeting and published in the NAIC *Proceedings* (third-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.

H. 2017 CSO Mortality Tables

1. "2017 CSO Mortality Table" means that mortality table, consisting of separate rates of mortality for male and female lives, developed by the CSO Subgroup of the Joint Academy Life Experience Committee and SOA Preferred Mortality Oversight Group from the 2015 Valuation Basic Mortality Table developed by the joint group's Valuation Basic Mortality Subgroup, and adopted by the NAIC in April 2016. The 2017 CSO Mortality Table is included in the Proceedings of the NAIC (1st Quarter 2016). Unless the context indicates otherwise, the "2017 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.

2. "2017 CSO (F)" means that the mortality table consisting of the rates of mortality for female lives from the 2017 CSO Mortality Table.

3. "2017 CSO (M)" means that the mortality table consisting of the rates of mortality for male lives from the 2017 CSO Mortality Table.

4. "2017 CSO Preferred Class Structure Mortality Table" means those mortality tables with separate rates of mortality for super preferred nonsmokers, preferred nonsmokers, residual standard nonsmokers, preferred smokers and residual standard smoker splits of the 2017 CSO Nonsmoker and Smoker Tables as adopted by the NAIC at the 2016 Spring National Meeting and published in the NAIC *Proceedings* (first-quarter 2016). Unless the context indicates otherwise, the "2017 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. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality table.

I. 2012 Individual Annuity Reserve Valuation Table

1. Definitions

   a. "2012 IAR Table" means that generational mortality table developed by the Joint Academy /SOA Payout Annuity Table Team and containing rates, $q_{x2012+n}$, derived from a combination of the 2012 IAM Period Table and Projection Scale G2, using the methodology stated in the "Application of the 2012 IAR Mortality Table" paragraph of Appendix A-821 of the AP&P Manual.

   b. "2012 Individual Annuity Mortality Period Life (2012 IAM Period) Table" means the Period Table containing loaded mortality rates for calendar year 2012. This table contains rates, q_{x2012}, developed by the Joint Academy /SOA Payout Annuity Table Team and is shown in Appendices 1–2 of Appendix A-821 of the AP&P Manual.

   c. "Projection Scale G2 (Scale G2)" is a table of annual rates, $G2_x$, of mortality improvement by age for projecting future mortality rates beyond calendar year 2012. This table was developed by the Joint Academy/SOA Payout Annuity Table Team and is shown in Appendices 3–4 of Appendix A-821 of the AP&P Manual.

2. Application of the 2012 IAR Mortality Table

   In using the 2012 IAR Mortality Table, the mortality rate for a person age x in year (2012 + n) is calculated as follows:

   $$q_x^{2012+n} = q_x^{2012}(1 - G2_x)^n$$

   The resulting q_x^{2012+n} shall be rounded to three decimal places per 1,000, e.g., 0.741 deaths per 1,000. Also, the rounding shall occur according to the formula above, starting at the 2012 period table rate.

   For example, for a male age 30, $q_x^{2012} = 0.741$.
   $q_x^{2013} = 0.741 * (1 - 0.010) \wedge 1 = 0.73359$, which is rounded to 0.734.
   $q_x^{2014} = 0.741 * (1 - 0.010) \wedge 2 = 0.7262541$, which is rounded to 0.726.
   A method leading to incorrect rounding would be to calculate q_x^{2014} as $q_x^{2013} * (1 - 0.010)$, or 0.734 * 0.99 = 0.727. It is incorrect to use the already rounded q_{x2013} to calculate q_x^{2014}.

J.   2017 Commissioners Standard Guaranteed Issue Mortality Tables

"2017 Commissioners Standard Guaranteed Issue Mortality Table" (2017 CSGI) means that mortality table, consisting of separate rates of mortality for male and female lives, as well as combined unisex rates, developed by the Guaranteed Issue/Simplified Issue/Pre-Need Working Group of the American Academy of Actuaries' Life Experience Committee and the SOA Preferred Mortality Oversight Group from the experience collected from 2005 – 2009. This table was adopted by the NAIC at the yy/yy/yyyy Meeting, and is included in the Proceedings of the NAIC (date TBD). This table must be used for guaranteed issue life insurance policies issued on or after January 1, 2022. The company may elect to use this table for Guaranteed Issue policies issued on or after January 1, 2019.