Eric Milstead
Director

Legislative Services Office
Idaho State Legislature

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MEMORANDUM

TO: Senators TIPPETS, Patrick, Schmidt and,
Representatives HENDERSON, Thompson, Smith

FROM: Elizabeth Bowen - Legislative Research Analyst

DATE: November 05, 2014

SUBJECT: Temporary Rule

IDAPA 18.01.46 - Recognition of New Annuity Mortality Tables for Use in Determining Reserve Liabilities for Annuities and Pure Endowment Contracts - Pending and Temporary Rule - Docket No. 18-0146-1401

We are forwarding this temporary rule to you for your information only. No analysis was done by LSO. This rule is posted on our web site. If you have any questions, please call Elizabeth Bowen at the Legislative Services Office at (208) 334-4834. Thank you.

Attachment: Temporary Rule

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IDAPA 18 - DEPARTMENT OF INSURANCE

18.01.46 - RECOGNITION OF NEW ANNUITY MORTALITY TABLES FOR USE IN DETERMINING RESERVE LIABILITIES FOR ANNUITIES AND PURE ENDOWMENT CONTRACTS

DOCKET NO. 18-0146-1401

NOTICE OF RULEMAKING -
ADOPTION OF PENDING RULE AND ADOPTION OF TEMPORARY RULE

EFFECTIVE DATE: The effective date of the temporary rule is January 1, 2015. The pending rule has been adopted by the agency and is now pending review by the 2015 Idaho State Legislature for final approval. The pending rule becomes final and effective at the conclusion of the legislative session, unless the rule is approved or rejected in part by concurrent resolution in accordance with Section 67-5224 and 67-5291, Idaho Code. If the pending rule is approved or rejected in part by concurrent resolution, the rule becomes final and effective upon adoption of the concurrent resolution or upon the date specified in the concurrent resolution.

AUTHORITY: In compliance with Sections 67-5224 and 67-5226, Idaho Code, notice is hereby given that this agency has adopted a pending rule and is also adopting a temporary rule. The action is authorized pursuant to Sections 41-211 and 41-612, Idaho Code.

DESCRIPTIVE SUMMARY: The following is the required finding and concise statement of its supporting reasons for adopting a temporary rule and a concise explanatory statement of the reasons for adopting the pending rule and a statement of any change between the text of the proposed rule and the text of the pending rule with an explanation of the reasons for the change:

The rulemaking amends Rule 46 to adopt the NAIC 2012 individual annuity reserve table (2012 IAR), consistent with NAIC Model Regulation 821, for annuities issued January 1, 2015, and later. There is a nationwide effort to have the table apply effective January 1, 2015, thus resulting in consistent reserve standards.

In accordance with Section 67-5226, Idaho Code, the full text of the temporary rule is being published in this Bulletin following this notice and includes changes made to the pending rule. The text of the pending rule has been modified in accordance with Section 67-5227, Idaho Code. In addition to the temporary rule, the changes made from the proposed rule to the pending rule follow receipt of a comment letter and are intended to clarify applicable subsections. The original text of the proposed rule was published in the September 3, 2014, Idaho Administrative Bulletin, **Vol. 14-9, pages 272 through 278**.

TEMPORARY RULE JUSTIFICATION: Pursuant to Section 67-5226(1)(c), Idaho Code, the Governor has found that temporary adoption of the rule is appropriate for the following reason(s):

There is a benefit to life insurers to have this change made at the same time in as many states as possible, and there are nationwide efforts to have the table apply effective January 1, 2015, since it will require higher reserving.

FISCAL IMPACT: The following is a specific description, if applicable, of any negative fiscal impact on the state general fund greater than ten thousand dollars ($10,000) during the fiscal year: NA

ASSISTANCE ON TECHNICAL QUESTIONS: For assistance on technical questions concerning the pending rule or temporary rule, contact Thomas A. Donovan, **tom.donovan@doi.idaho.gov**, (208) 334-4214.

DATED this 9th day of October, 2014.

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Substantive changes have been made to the pending rule.
Italicized red text that is *double underscored* is new text that has been added to the pending rule.

The text of the proposed rule was published in the Idaho Administrative Bulletin,
Volume 14-9, September 3, 2014, pages 272 through 278.

This rule has been adopted as a pending rule by the Agency and is now awaiting
review and final approval by the 2015 Idaho State Legislature.

Additionally, this rule has been adopted as a temporary rule and is effective January 1, 2015.

Pursuant to Section 67-5226, Idaho Code, the full text of
the temporary rule is being published in this Bulletin.

THE FOLLOWING IS THE TEXT OF THE AMENDED PENDING RULE
AND TEMPORARY RULE FOR DOCKET NO. 18-0146-1401

001.   TITLE AND SCOPE.

      01.   Title. This rule shall be cited as IDAPA 18.01.46, "Recognition of New Annuity Mortality Tables for Use in Determining Reserve Liabilities for Annuities and Pure Endowment Contracts." (3-29-12)

      02.   Scope. The purpose of this rule is to recognize the following mortality tables for use in determining the minimum standard valuation for annuity and pure endowment contracts: the 1983 Table 'a,' the 1983 Group Annuity Mortality (1983 GAM) Table, the 1994 Group Annuity Reserving (1994 GAR) Table, *and* the Annuity 2000 Mortality Table, and the 2012 Individual Annuity Reserve (2012 IAR) Table. *(3-29-12)*(1-1-15)T

(BREAK IN CONTINUITY OF SECTIONS)

010.   DEFINITIONS.

      01.   1983 Table 'a'. 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 shown on page 708 of Volume 33 of the Transactions of Society of Actuaries 1981 and adopted as a recognized mortality table for annuities in June 1982 by the National Association of Insurance Commissioners. (3-29-12)

      02.   1983 GAM Table. As used in this rule "1983 GAM Table" means that mortality table developed by the Society of Actuaries Committee on Annuities and shown on pages 880-881 of Volume 35 of the Transactions of Society of Actuaries 1983 and adopted as a recognized mortality table for annuities in December 1983 by the National Association of Insurance Commissioners. (3-29-12)

      03.   1994 GAR Table. 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 on pages 866-867 of Volume 47 of the Transactions of Society of Actuaries 1995. (3-29-12)

      04.   2012 Individual Annuity Mortality Period Life (2012 IAM Period) Table. As used in this rule, the "2012 Individual Annuity Mortality Period Life Table" or the "2012 IAM Period" means the Period table

containing loaded mortality rates for calendar year 2012. This table contains rates, q_x^{2012}, developed by the Society of Actuaries Committee on Life Insurance Research and is shown in Appendices 1 and 2. (1-1-15)T

05. **2012 Individual Annuity Reserving (2012 IAR) Table**. As used in this rule, the "2012 Individual Annuity Reserving Table" or the "2012 IAR" means the generational mortality table developed by the Society of Actuaries Committee on Life Insurance Research and containing rates, q_x^{2012+n} derived from a combination of the 2012 IAM Period table and Projection Scale G2, using the methodology stated in Section 014. (1-1-15)T

0~~4~~6. **Annuity 2000 Mortality Table**. 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 on page 266 of Volume 47 of the Transactions of Society of Actuaries 1995 – 96 Reports. (3-29-12)

07. **Generational Mortality Table**. As used in this rule, "generational mortality table" means a mortality table containing a set of mortality rates that decrease for a given age from one year to the next based on a combination of a period table and a projection scale containing rates of mortality improvement. (1-1-15)T

08. **Period Table**. As used in this rule, "period table" means a table of mortality rates applicable to a given calendar year (the Period). (1-1-15)T

09. **Projection Scale G2 (Scale G2)**. As used in this rule, "projection 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 Society of Actuaries Committee on Life Insurance Research and is shown in Appendices 3 and 4. (1-1-15)T

(BREAK IN CONTINUITY OF SECTIONS)

011. **INDIVIDUAL ANNUITY OR PURE ENDOWMENT CONTRACTS.**

01. **Individual Annuity Mortality Table**. Except as provided in Subsections 011.02 and 011.03, of this rule, the 1983 Table 'a' is recognized and approved as an individual annuity mortality table for valuation and, at the option of the company, may be used for purposes of determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after July 1, 1982. (3-29-12)

02. **Minimum Standard for Valuation**. Except as provided in Subsection 011.03 of this rule, 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, 1987. (3-29-12)

03. **The Annuity 2000 Mortality Table**. Except as provided in Subsection 011.04 of this rule, 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 *the effective date of Subsections 011.03 and 011.04* March 29, 2012. *(3-29-12)*(1-1-15)T

04. **The 2012 IAR Mortality Table**. Except as provided in Subsection 011.05 of this rule, the 2012 IAR 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, 2015*. (1-1-15)T

0~~4~~5. **The 1983 Table 'a,'.** 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 *the effective date of Subsections 011.03 and 011.04 of this rule* March 29, 2012, solely when the contract is based on life contingencies and issued to fund periodic benefits arising from: *(3-29-12)*(1-1-15)T

a. Settlements of various forms of claims pertaining to court settlements or out of court settlements from tort actions; (3-29-12)

b. Settlements involving similar actions such as workers' compensation claims; or (3-29-12)

c.   Settlements of long term disability claims where a temporary or life annuity has been used in lieu of continuing disability payments. (3-29-12)

(BREAK IN CONTINUITY OF SECTIONS)

014.   **APPLICATION OF THE 2012 IAR MORTALITY TABLE.**

01.   **Mortality Rate Formula**. In using the 2012 IAR Mortality Table, the mortality rate for a person age x in year (2012 + n) is calculated as follows: (1-1-15)T

a. $q_x^{2012+n} = q_x^{2012}(1 - G2_x)^n$ (1-1-15)T

b.   The resulting q_x^{2012+n} shall be rounded to three (3) decimal places per one thousand (1,000), e.g., 0.741 deaths per one thousand (1,000). The rounding shall occur according to the formula above, starting at the 2012 period table rate. (1-1-15)T

02.   **Mortality Rate Formula Example**. For a male age 30, $q_x^{2012} = 0.741$: (1-1-15)T

a. $q_x^{2013} = 0.741 * (1 - 0.010) ^ 1 = 0.73359$, which is rounded to 0.734. (1-1-15)T

b. $q_x^{2014} = 0.741 * (1 - 0.010) ^ 2 = 0.7262541$, which is rounded to 0.726. (1-1-15)T

c.   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_x^{2013} to calculate q_x^{2014}. (1-1-15)T

014 5.   SEVERABILITY.
If any provision of this rule or the application thereof to any person or circumstances is for any reason held to be invalid, the remainder of the rule and the application of such provision to other persons or circumstances shall not be affected thereby. (7-1-93)

015 6. -- 999.   (RESERVED)

APPENDIX 1 2012 IAM Period Table Female, Age Nearest Birthday							
AGE	**$1000 - q_x^{2012}$**	**AGE**	**$1000 - q_x^{2012}$**	**AGE**	**$1000 - q_x^{2012}$**	**AGE**	**$1000 - q_x^{2012}$**
0	**1.621**	30	**0.300**	60	**3.460**	90	**88.377**
1	**0.405**	31	**0.321**	61	**3.916**	91	**97.491**
2	**0.259**	32	**0.338**	62	**4.409**	92	**107.269**
3	**0.179**	33	**0.351**	63	**4.933**	93	**118.201**
4	**0.137**	34	**0.365**	64	**5.507**	94	**130.969**
5	**0.125**	35	**0.381**	65	**6.146**	95	**146.449**
6	**0.117**	36	**0.402**	66	**6.551**	96	**163.908**
7	**0.110**	37	**0.429**	67	**7.039**	97	**179.695**
8	**0.095**	38	**0.463**	68	**7.628**	98	**196.151**
9	**0.088**	39	**0.504**	69	**8.311**	99	**213.150**

APPENDIX 1 2012 IAM Period Table Female, Age Nearest Birthday							
AGE	**1000 - q_x^{2012}**	**AGE**	**1000 - q_x^{2012}**	**AGE**	**1000 - q_x^{2012}**	**AGE**	**1000 - q_x^{2012}**
10	0.085	40	0.552	70	9.074	100	230.722
11	0.086	41	0.600	71	9.910	101	251.505
12	0.094	42	0.650	72	10.827	102	273.007
13	0.108	43	0.697	73	11.839	103	295.086
14	0.131	44	0.740	74	12.974	104	317.591
15	0.156	45	0.780	75	14.282	105	340.362
16	0.179	46	0.825	76	15.799	106	362.371
17	0.198	47	0.885	77	17.550	107	384.113
18	0.211	48	0.964	78	19.582	108	400.000
19	0.221	49	1.051	79	21.970	109	400.000
20	0.228	50	1.161	80	24.821	110	400.000
21	0.234	51	1.308	81	28.351	111	400.000
22	0.240	52	1.460	82	32.509	112	400.000
23	0.245	53	1.613	83	37.329	113	400.000
24	0.247	54	1.774	84	42.830	114	400.000
25	0.250	55	1.950	85	48.997	115	400.000
26	0.256	56	2.154	86	55.774	116	400.000
27	0.261	57	2.399	87	63.140	117	400.000
28	0.270	58	2.700	88	71.066	118	400.000
29	0.281	59	3.054	89	79.502	119	400.000
						120	1000.000

(1-1-15)T

APPENDIX 2 2012 IAM Period Table Male, Age Nearest Birthday							
AGE	**1000 - q_x^{2012}**	**AGE**	**1000 - q_x^{2012}**	**AGE**	**1000 - q_x^{2012}**	**AGE**	**1000 - q_x^{2012}**
0	1.605	30	0.741	60	5.096	90	109.993
1	0.401	31	0.751	61	5.614	91	123.119
2	0.275	32	0.754	62	6.169	92	137.168
3	0.229	33	0.756	63	6.759	93	152.171
4	0.174	34	0.756	64	7.398	94	168.194
5	0.168	35	0.756	65	8.106	95	185.260
6	0.165	36	0.756	66	8.548	96	197.322
7	0.159	37	0.756	67	9.076	97	214.751
8	0.143	38	0.756	68	9.708	98	232.507
9	0.129	39	0.800	69	10.463	99	250.397
10	0.113	40	0.859	70	11.357	100	268.607
11	0.111	41	0.926	71	12.418	101	290.016

APPENDIX 2 2012 IAM Period Table Male, Age Nearest Birthday							
AGE	**1000 - q_x^{2012}**	**AGE**	**1000 - q_x^{2012}**	**AGE**	**1000 - q_x^{2012}**	**AGE**	**1000 - q_x^{2012}**
12	0.132	42	0.999	72	13.675	102	311.849
13	0.169	43	1.069	73	15.150	103	333.962
14	0.213	44	1.142	74	16.860	104	356.207
15	0.254	45	1.219	75	18.815	105	380.000
16	0.293	46	1.318	76	21.031	106	400.000
17	0.328	47	1.454	77	23.540	107	400.000
18	0.359	48	1.627	78	26.375	108	400.000
19	0.387	49	1.829	79	29.572	109	400.000
20	0.414	50	2.057	80	33.234	110	400.000
21	0.443	51	2.302	81	37.533	111	400.000
22	0.473	52	2.545	82	42.261	112	400.000
23	0.513	53	2.779	83	47.441	113	400.000
24	0.554	54	3.011	84	53.233	114	400.000
25	0.602	55	3.254	85	59.855	115	400.000
26	0.655	56	3.529	86	67.514	116	400.000
27	0.688	57	3.845	87	76.340	117	400.000
28	0.710	58	4.213	88	86.388	118	400.000
29	0.727	59	4.631	89	97.634	119	400.000
						120	1000.000

(1-1-15)T

APPENDIX 3 Projection Scale G2 Female, Age Nearest Birthday							
AGE	**$G2_x$**	**AGE**	**$G2_x$**	**AGE**	**$G2_x$**	**AGE**	**$G2_x$**
0	0.010	30	0.010	60	0.013	90	0.006
1	0.010	31	0.010	61	0.013	91	0.006
2	0.010	32	0.010	62	0.013	92	0.005
3	0.010	33	0.010	63	0.013	93	0.005
4	0.010	34	0.010	64	0.013	94	0.004
5	0.010	35	0.010	65	0.013	95	0.004
6	0.010	36	0.010	66	0.013	96	0.004
7	0.010	37	0.010	67	0.013	97	0.003
8	0.010	38	0.010	68	0.013	98	0.003
9	0.010	39	0.010	69	0.013	99	0.002
10	0.010	40	0.010	70	0.013	100	0.002
11	0.010	41	0.010	71	0.013	101	0.002
12	0.010	42	0.010	72	0.013	102	0.001
13	0.010	43	0.010	73	0.013	103	0.001

APPENDIX 3 **Projection Scale G2** **Female, Age Nearest Birthday**							
AGE	**G2$_x$**	**AGE**	**G2$_x$**	**AGE**	**G2$_x$**	**AGE**	**G2$_x$**
14	0.010	44	0.010	74	0.013	104	0.000
15	0.010	45	0.010	75	0.013	105	0.000
16	0.010	46	0.010	76	0.013	106	0.000
17	0.010	47	0.010	77	0.013	107	0.000
18	0.010	48	0.010	78	0.013	108	0.000
19	0.010	49	0.010	79	0.013	109	0.000
20	0.010	50	0.010	80	0.013	110	0.000
21	0.010	51	0.010	81	0.012	111	0.000
22	0.010	52	0.011	82	0.012	112	0.000
23	0.010	53	0.011	83	0.011	113	0.000
24	0.010	54	0.011	84	0.010	114	0.000
25	0.010	55	0.012	85	0.010	115	0.000
26	0.010	56	0.012	86	0.009	116	0.000
27	0.010	57	0.012	87	0.008	117	0.000
28	0.010	58	0.012	88	0.007	118	0.000
29	0.010	59	0.013	89	0.007	119	0.000
						120	0.000

(1-1-15)T

APPENDIX 4 **Projection Scale G2** **Male, Age Nearest Birthday**							
AGE	**G2$_x$**	**AGE**	**G2$_x$**	**AGE**	**G2$_x$**	**AGE**	**G2$_x$**
0	0.010	30	0.010	60	0.015	90	0.007
1	0.010	31	0.010	61	0.015	91	0.007
2	0.010	32	0.010	62	0.015	92	0.006
3	0.010	33	0.010	63	0.015	93	0.005
4	0.010	34	0.010	64	0.015	94	0.005
5	0.010	35	0.010	65	0.015	95	0.004
6	0.010	36	0.010	66	0.015	96	0.004
7	0.010	37	0.010	67	0.015	97	0.003
8	0.010	38	0.010	68	0.015	98	0.003
9	0.010	39	0.010	69	0.015	99	0.002
10	0.010	40	0.010	70	0.015	100	0.002
11	0.010	41	0.010	71	0.015	101	0.002
12	0.010	42	0.010	72	0.015	102	0.001
13	0.010	43	0.010	73	0.015	103	0.001
14	0.010	44	0.010	74	0.015	104	0.000
15	0.010	45	0.010	75	0.015	105	0.000

APPENDIX 4 Projection Scale G2 Male, Age Nearest Birthday							
AGE	G2$_x$	AGE	G2$_x$	AGE	G2$_x$	AGE	G2$_x$
16	0.010	46	0.010	76	0.015	106	0.000
17	0.010	47	0.010	77	0.015	107	0.000
18	0.010	48	0.010	78	0.015	108	0.000
19	0.010	49	0.010	79	0.015	109	0.000
20	0.010	50	0.010	80	0.015	110	0.000
21	0.010	51	0.011	81	0.014	111	0.000
22	0.010	52	0.011	82	0.013	112	0.000
23	0.010	53	0.012	83	0.013	113	0.000
24	0.010	54	0.012	84	0.012	114	0.000
25	0.010	55	0.013	85	0.011	115	0.000
26	0.010	56	0.013	86	0.010	116	0.000
27	0.010	57	0.014	87	0.009	117	0.000
28	0.010	58	0.014	88	0.009	118	0.000
29	0.010	59	0.015	89	0.008	119	0.000
						120	0.000

(1-1-15)T