

**Maryland General Assembly  
Department of Legislative Services**

**Proposed Regulations  
Maryland Insurance Administration  
(DLS Control No. 14-190)**

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**Overview and Legal and Fiscal Impact**

The proposed regulations amend the current valuation standards for individual annuity and pure endowment contracts by adopting the 2012 Individual Annuity Reserve Table to be used to determine the minimum reserve valuation for individual annuity and pure endowment contracts issued on and after January 1, 2015.

The proposed regulations present no legal issues of concern.

There is no fiscal impact on State or local agencies.

**Regulations of COMAR Affected**

**Maryland Insurance Administration:**

Assets, Liabilities, Reserves, and Investments of Insurers: Valuation Standards for Individual Annuity and Pure Endowment Contracts:  
COMAR 31.05.04.01, .02, and .05-.08

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**Legal Analysis**

**Summary of Regulations**

COMAR 31.05.04 establishes valuation standards for individual annuity and pure endowment contracts. The purpose of the chapter, as stated in Regulation .01, is to approve the use of specified mortality tables adopted by the National Association of Insurance Commissioners (NAIC) after 1980 as a basis for determining the minimum standards of valuation for individual annuity and pure endowment contracts. Under the current regulations (1) the 1983 Table “a” and the Annuity 2000 Mortality Table are approved mortality tables (Regulation .01A and B); (2) either table may be used for determining the minimum standard of valuation for contracts issued on or after July 1, 2004 (Regulation .05C); and (3) generally, the Annuity 2000 Mortality Table must be used for determining the minimum standard of valuation for contracts issued on or after July 1, 2005 (Regulation .05D).

The proposed action amends Regulation .01 to include the 2012 Individual Annuity Reserving Table (2012 IAR Table) as an approved mortality table and requires that, except as provided in Regulation .05F, the 2012 IAR Table be used for determining the minimum standard of valuation for any individual or pure endowment contract issued on or after January 1, 2015 (Regulation .05E). Under Regulation .02B(7), the “2012 IAR Table” is defined as the generational mortality table developed by the Society of Actuaries Committee on Life Insurance

Research (Society of Actuaries) that contains specified rates derived from a combination of the 2012 Individual Annuity Mortality Period Life Table (2012 IAM Period Table) and Projection Scale G2, using the methodology set out in new Regulation .08. Regulation .02B(6) defines the “2012 IAM Period Table” as the period table containing specified loaded mortality rates for calendar year 2012 developed by the Society of Actuaries and set out in new Regulation .06. The “Projection Scale G2” is defined in Regulation .02B(4) as a table containing specified annual rates of mortality improvement by age for projecting future mortality rates beyond calendar year 2012, developed by the Society of Actuaries, and set out in new Regulation .07.

The proposed action also defines the terms “generational mortality table” and “period table” used in the chapter, and makes conforming changes to Regulation .05B, C, and D.

According to the Maryland Insurance Administration, the proposed amendments to current regulations are consistent with NAIC Model Regulation 821, which was amended in 2012.

### **Legal Issue**

The proposed regulations present no legal issues of concern.

### **Statutory Authority and Legislative Intent**

The administration cites § 2-109 and Title 5, Subtitle 3 of the Insurance Article as legal authority for the proposed regulations. More specifically, authority for the regulations is provided by §§ 2-109(a)(1) and 5-305(c) and (d). Section 2-109(a)(1) establishes the general authority of the Maryland Insurance Commissioner to adopt regulations to carry out the Insurance Article. Section 5-305(c), for individual single premium immediate annuity contracts issued on or after July 1, 1980, and (d), for individual annuity contracts or pure endowment contracts issued on or after July 1, 1980, specify the tables that must be used to determine minimum standard of valuation for the contracts, and authorize the use of any modification of the specified tables approved by the Commissioner.

The proposed regulations comply with the legislative intent of the law.

### **Fiscal Analysis**

There is no fiscal impact on State or local agencies.

### **Agency Estimate of Projected Fiscal Impact**

The Maryland Insurance Administration advises that the regulations have minimal or no impact on State or local governments. The Department of Legislative Services concurs.

### **Impact on Budget**

There is no impact on the State operating or capital budget.

## **Agency Estimate of Projected Small Business Impact**

The Maryland Insurance Administration advises that the regulations have minimal or no economic impact on small businesses in the State. The Department of Legislative Services concurs.

### **Contact Information**

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