

MARYLAND REGISTER

Proposed Action on Regulations

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2. COMAR Codification

Title Subtitle Chapter Regulation

31 05 04 01, .02 and .05—.08

3. Name of Promulgating Authority

Maryland Insurance Administration

4. Name of Regulations Coordinator

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6. Check applicable items:

X- New Regulations

MARYLAND INSURANCE ADMINISTRATION

Subtitle 05 ASSETS, LIABILITIES, RESERVES, AND INVESTMENTS OF INSURERS

31.05.04 Valuation Standards for Individual Annuity and Pure Endowment Contracts

Authority: Insurance Article, §2-109 and Title 5, Subtitle 3, Annotated Code of Maryland

Notice of Proposed Action

□

The Insurance Commissioner proposes to amend Regulations .01—.02 and .05 and adopt new Regulations .06--.08, under COMAR 31.05.04 Valuation Standards for Individual Annuity and Pure Endowment Contracts.

Statement of Purpose

The purpose of this action is to amend the current valuation standards for individual annuity or pure endowment contracts by adopting the 2012 Individual Annuity Reserve Table (“2012 IAR Table”) to be used for the minimum reserve valuation for individual annuity or pure endowment contracts issued on and after January 1, 2015. These proposed amendments are consistent with the National Association of Insurance Commissioners’ current Model Regulation 821, which was amended in 2012.

Comparison to Federal Standards

There is no corresponding federal standard to this proposed action.

Estimate of Economic Impact

I. Summary of Economic Impact.

The amendments to this Chapter will have a minimal economic impact on insurers issuing annuities or pure endowments in Maryland.

II. Types of Economic Impact.

- A. On issuing agency:
- B. On other State agencies:
- C. On local governments:

Revenue (R+/R-)	Magnitude
Expenditure (E+/E-)	Magnitude
NONE	
NONE	
NONE	
Benefit (+)	Magnitude
Cost (-)	Magnitude

- D. On regulated industries or trade groups: (-) Minimal
E. On other industries or trade groups: NONE
F. Direct and indirect effects on public: NONE

III. Assumptions. (Identified by Impact Letter and Number from Section II.)

D. The proposed amendments will have a minimal impact on insurers that write new individual annuity or pure endowment contracts in Maryland on or after January 1, 2015. Insurers may incur additional costs related to higher reserves and the implementation of the 2012 IAR Table. These costs will vary by insurer based on various factors, including the insurer's available resources and ease of updating actuarial and accounting software with the new mortality table.

Economic Impact on Small Businesses

The proposed action has minimal or no economic impact on small businesses.

Impact on Individuals with Disabilities

The proposed action has no impact on individuals with disabilities.

Opportunity for Public Comment

Comments may be sent to Katrina Lawhorn, Regulations Coordinator, Maryland Insurance Administration, 200 St. Paul Place, Suite 2700, or call 410-468-2450, or email to katrina.lawhorn@maryland.gov, or fax to 410-468-2020. Comments will be accepted through September 22, 2014. A public hearing has not been scheduled.

Economic Impact Statement Part C

- A. Fiscal Year in which regulations will become effective: FY 2015
- B. Does the budget for the fiscal year in which regulations become effective contain funds to implement the regulations?
No
- C. If 'yes', state whether general, special (exact name), or federal funds will be used:
- D. If 'no', identify the source(s) of funds necessary for implementation of these regulations:
Additional funds are not necessary to implement the amendments to this chapter.
- E. If these regulations have no economic impact under Part A, indicate reason briefly:
- F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.

The only businesses which may be impacted are life insurers or fraternal organizations issuing annuities or pure endowment contracts in Maryland. There are no insurers who qualify as small businesses that would be affected by these proposed amendments.

G. Small Business Worksheet:

Attached Document:

Title 31 MARYLAND INSURANCE ADMINISTRATION

Subtitle 05 ASSETS, LIABILITIES, RESERVES, AND INVESTMENTS OF INSURERS

Chapter 04 Valuation Standards for Individual Annuity and Pure Endowment Contracts

Authority: Insurance Article, §2-109 and Title 5, Subtitle 3, Annotated Code of Maryland

.01 Purpose.

The purpose of this chapter is to approve the use of the following mortality tables adopted by the National Association of Insurance Commissioners after 1980 as a basis for determining the minimum standards of valuation for individual annuity and pure endowment contracts:

- A. The 1983 Table "a"; [and]
- B. The Annuity 2000 Mortality Table[.]; and
- C. The 2012 Individual Annuity Reserving Table.

.02 Definitions.

- A. (text unchanged)
- B. Terms Defined.
 - (1) (text unchanged)
 - (2) "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.
 - (3) "Period table" means a table of mortality rates applicable to a given calendar year.
 - (4) "Projection Scale G2" means a table:
 - (a) Containing annual rates, $G2_x$, of mortality improvement by age for projecting future mortality rates beyond calendar year 2012;
 - (b) Developed by the Society of Actuaries Committee on Life Insurance Research; and
 - (c) Set out in Regulation .07 of this chapter.
 - [(2)] (5) (text unchanged)
 - (6) "2012 Individual Annuity Mortality Period Life Table" or "2012 IAM Period Table" means the period table containing loaded mortality rates for calendar year 2012. This table:
 - (a) Contains rates, q_x^{2012} , q_x^{2012} developed by the Society of Actuaries Committee on Life Insurance Research; and
 - (b) Is set out in Regulation .06 of this chapter.
 - (7) "2012 Individual Annuity Reserving Table" or "2012 IAR Table" means the generational mortality table:
 - (a) Developed by the Society of Actuaries Committee on Life Insurance Research; and
 - (b) Containing rates, q_x^{2012+n} , q_x^{2012+n} that are derived from a combination of the 2012 IAM Period Table and Projection Scale G2 using the methodology set out in Regulation .08 of this chapter.

.05 Valuation Standards.

- A. (text unchanged)
- B. Except as provided in §§C, [and] D, and E of this regulation, the 1983 Table "a", as shown in Regulation .03 of this chapter, is to be used by insurers in valuing reserve liabilities under individual annuity and pure endowment contracts in accordance with the provisions of Insurance Article, §5-305(c) and (d), Annotated Code of Maryland, for contracts issued on and after January 1, 1987.

C. Except as provided in §§D and E of this regulation, 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 July 1, 2004.

D. Except as provided in §§E and F of this regulation, 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 July 1, 2005 and before January 1, 2015.

E. Except as provided in §F of this regulation, the 2012 IAR 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.

[E.] F. (text unchanged)

.06 2012 IAM Period Table.

The 2012 Individual Annuity Mortality Period Life Table, as shown below, is the mortality table designated by that name and developed by the Society of Actuaries Committee on Life Insurance Research.

Age Nearest Birthday	$1000 q_x^{2012}$	
	Male	Female
0	1.605	1.621
1	0.401	0.405
2	0.275	0.259
3	0.229	0.179
4	0.174	0.137
5	0.168	0.125
6	0.165	0.117
7	0.159	0.110
8	0.143	0.095
9	0.129	0.088
10	0.113	0.085
11	0.111	0.086
12	0.132	0.094
13	0.169	0.108
14	0.213	0.131
15	0.254	0.156
16	0.293	0.179
17	0.328	0.198
18	0.359	0.211

<i>Age Nearest Birthday</i>	<i>1000 q_x²⁰¹²</i>	
	<i>Male</i>	<i>Female</i>
19	0.387	0.221
20	0.414	0.228
21	0.443	0.234
22	0.473	0.240
23	0.513	0.245
24	0.554	0.247
25	0.602	0.250
26	0.655	0.256
27	0.688	0.261
28	0.710	0.270
29	0.727	0.281
30	0.741	0.300
31	0.751	0.321
32	0.754	0.338
33	0.756	0.351
34	0.756	0.365
35	0.756	0.381
36	0.756	0.402
37	0.756	0.429
38	0.756	0.463
39	0.800	0.504
40	0.859	0.552
41	0.926	0.600
42	0.999	0.650
43	1.069	0.697
44	1.142	0.740
45	1.219	0.780

<i>Age Nearest Birthday</i>	<i>1000 q_x²⁰¹²</i>	
	<i>Male</i>	<i>Female</i>
46	1.318	0.825
47	1.454	0.885
48	1.627	0.964
49	1.829	1.051
50	2.057	1.161
51	2.302	1.308
52	2.545	1.460
53	2.779	1.613
54	3.011	1.774
55	3.254	1.950
56	3.529	2.154
57	3.845	2.399
58	4.213	2.700
59	4.631	3.054
60	5.096	3.460
61	5.614	3.916
62	6.169	4.409
63	6.759	4.933
64	7.398	5.507
65	8.106	6.146
66	8.548	6.551
67	9.076	7.039
68	9.708	7.628
69	10.463	8.311
70	11.357	9.074
71	12.418	9.910
72	13.675	10.827

<i>Age Nearest Birthday</i>	<i>1000 q_x²⁰¹²</i>	
	<i>Male</i>	<i>Female</i>
73	15.150	11.839
74	16.860	12.974
75	18.815	14.282
76	21.031	15.799
77	23.540	17.550
78	26.375	19.582
79	29.572	21.970
80	33.234	24.821
81	37.533	28.351
82	42.261	32.509
83	47.441	37.329
84	53.233	42.830
85	59.855	48.997
86	67.514	55.774
87	76.340	63.140
88	86.388	71.066
89	97.634	79.502
90	109.993	88.377
91	123.119	97.491
92	137.168	107.269
93	152.171	118.201
94	168.194	130.969
95	185.260	146.449
96	197.322	163.908
97	214.751	179.695
98	232.507	196.151
99	250.397	213.150

Age Nearest Birthday	1000 q_x^{2012}	
	Male	Female
100	268.607	230.722
101	290.016	251.505
102	311.849	273.007
103	333.962	295.086
104	356.207	317.591
105	380.000	340.362
106	400.000	362.371
107	400.000	384.113
108	400.000	400.000
109	400.000	400.000
110	400.000	400.000
111	400.000	400.000
112	400.000	400.000
113	400.000	400.000
114	400.000	400.000
115	400.000	400.000
116	400.000	400.000
117	400.000	400.000
118	400.000	400.000
119	400.000	400.000
120	1000.000	1000.000

.07 Projection Scale G2.

Projection Scale G2, as shown below, is a table containing annual rates, $G2_x$, of mortality improvement by age for projecting future mortality rates beyond calendar year 2012 and was developed by the Society of Actuaries Committee on Life Insurance Research.

Age Nearest Birthday	$G2_x$	
	Male	Female
0	0.010	0.010
1	0.010	0.010

<i>Age Nearest Birthday</i>	<i>G2_x</i>	
	<i>Male</i>	<i>Female</i>
2	0.010	0.010
3	0.010	0.010
4	0.010	0.010
5	0.010	0.010
6	0.010	0.010
7	0.010	0.010
8	0.010	0.010
9	0.010	0.010
10	0.010	0.010
11	0.010	0.010
12	0.010	0.010
13	0.010	0.010
14	0.010	0.010
15	0.010	0.010
16	0.010	0.010
17	0.010	0.010
18	0.010	0.010
19	0.010	0.010
20	0.010	0.010
21	0.010	0.010
22	0.010	0.010
23	0.010	0.010
24	0.010	0.010
25	0.010	0.010
26	0.010	0.010
27	0.010	0.010
28	0.010	0.010
29	0.010	0.010
30	0.010	0.010
31	0.010	0.010
32	0.010	0.010
33	0.010	0.010
34	0.010	0.010
35	0.010	0.010
36	0.010	0.010
37	0.010	0.010
38	0.010	0.010
39	0.010	0.010

<i>Age Nearest Birthday</i>	<i>G_{2x}</i>	
	<i>Male</i>	<i>Female</i>
40	0.010	0.010
41	0.010	0.010
42	0.010	0.010
43	0.010	0.010
44	0.010	0.010
45	0.010	0.010
46	0.010	0.010
47	0.010	0.010
48	0.010	0.010
49	0.010	0.010
50	0.010	0.010
51	0.011	0.010
52	0.011	0.011
53	0.012	0.011
54	0.012	0.011
55	0.013	0.012
56	0.013	0.012
57	0.014	0.012
58	0.014	0.012
59	0.015	0.013
60	0.015	0.013
61	0.015	0.013
62	0.015	0.013
63	0.015	0.013
64	0.015	0.013
65	0.015	0.013
66	0.015	0.013
67	0.015	0.013
68	0.015	0.013
69	0.015	0.013
70	0.015	0.013
71	0.015	0.013
72	0.015	0.013
73	0.015	0.013
74	0.015	0.013
75	0.015	0.013
76	0.015	0.013
77	0.015	0.013

<i>Age Nearest Birthday</i>	<i>G2_x</i>	
	<i>Male</i>	<i>Female</i>
78	0.015	0.013
79	0.015	0.013
80	0.015	0.013
81	0.014	0.012
82	0.013	0.012
83	0.013	0.011
84	0.012	0.010
85	0.011	0.010
86	0.010	0.009
87	0.009	0.008
88	0.009	0.007
89	0.008	0.007
90	0.007	0.006
91	0.007	0.006
92	0.006	0.005
93	0.005	0.005
94	0.005	0.004
95	0.004	0.004
96	0.004	0.004
97	0.003	0.003
98	0.003	0.003
99	0.002	0.002
100	0.002	0.002
101	0.002	0.002
102	0.001	0.001
103	0.001	0.001
104	0.000	0.000
105	0.000	0.000
106	0.000	0.000
107	0.000	0.000
108	0.000	0.000
109	0.000	0.000
110	0.000	0.000
111	0.000	0.000
112	0.000	0.000
113	0.000	0.000
114	0.000	0.000
115	0.000	0.000

Age Nearest Birthday	$G2_x$	
	Male	Female
116	0.000	0.000
117	0.000	0.000
118	0.000	0.000
119	0.000	0.000
120	0.000	0.000

.08 Application of the 2012 IAR Table.

A. In using the 2012 IAR Mortality Table, the mortality rate for a person age x in year $(2012 + n)$ is calculated as follows: $q_x^{2012+n} = q_x^{2012} (1 - G2_x)^n$.

B. The resulting q_x^{2012+n} , as calculated in §A of this regulation, q_x^{2012+n} shall be rounded to three decimal places per 1,000.

C. The rounding described in §B of this regulation shall occur according to the formula in §A of this regulation, starting at the 2012 period table rate.