

Implementing the 2017 CSO Mortality Table for Insurance Compact Products

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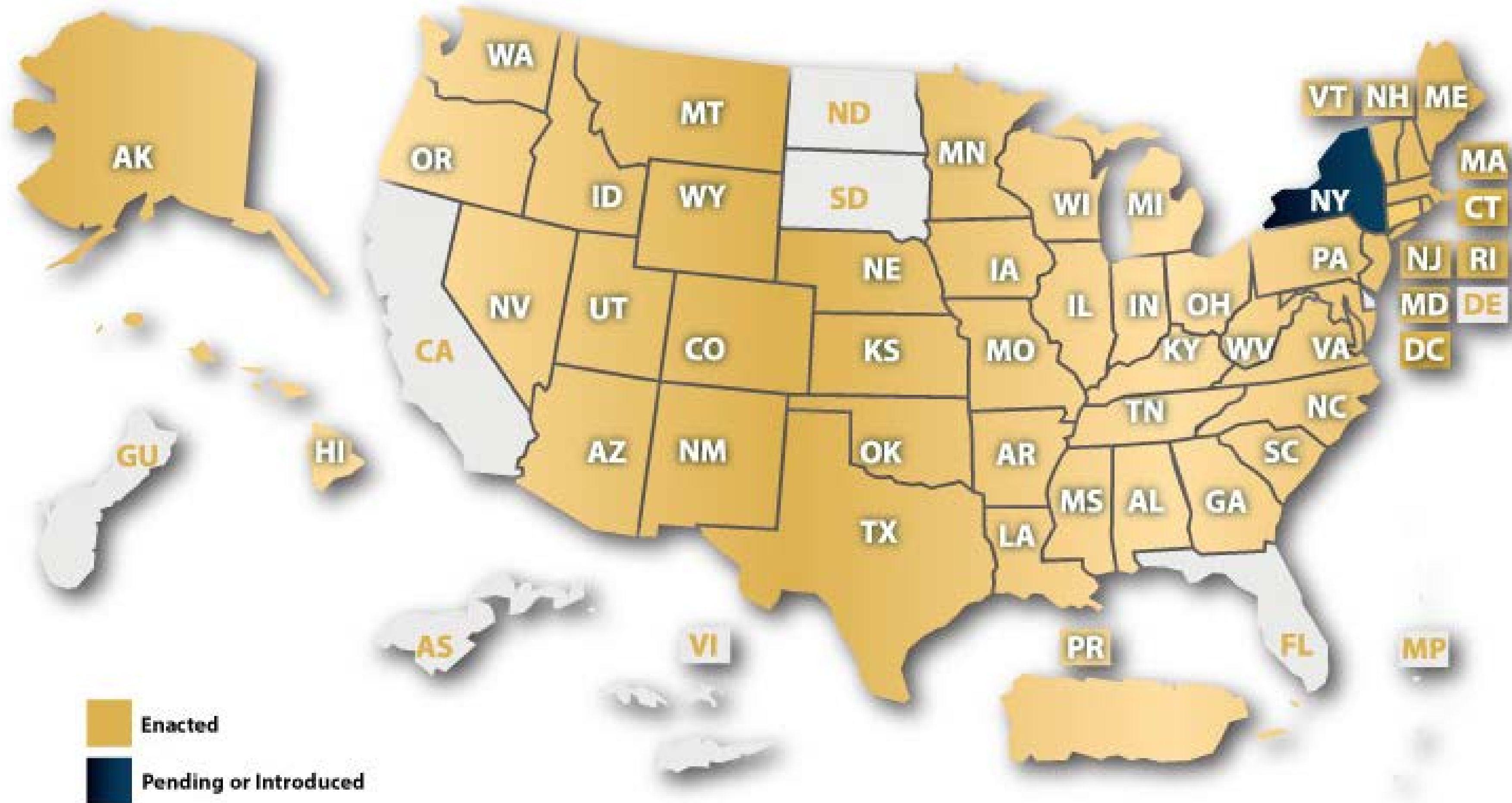
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Webinar Agenda

- Introduction
- Impact of 2017 CSO Mortality Table
- Reference Materials
- Options for Submitting Updates
- Best Practices
- Frequently Asked Questions
- Supporting Documentation Update
Filing Type



Compact Utilization

- Record 233 companies registered in 2018
- Record product number of products filed – 1,438
- 46 Compacting Jurisdictions and 75% of premium volume
- 100 Uniform Standards available for filing
- Full product operations team—Intake (1), Form Review (5), Actuarial (3), Secondary (1).

Availability of 2017 CSO Table

- Amendments to the NAIC's *Valuation Manual* approving the 2017 Commissioners' Standard Ordinary (CSO) mortality table were adopted by NAIC in April 2016
- VM-02 requires 2017 CSO Table be used for nonforfeiture values effective for policies issued starting January 1, 2020 and optional as of January 1, 2017

Availability of 2017 CSGL Table

- Amendments to the NAIC's *Valuation Manual* approving the 2017 Commissioners' Standard Ordinary for Guaranteed Issue business (CSGI) mortality table were adopted by NAIC in August 2018
- VM-02 requires 2001 CSO ultimate be used for GI policies issued in 2018 and 2019 and the use of the 2017 CSO is optional for these issue years
- As amended in August 2019, VM-02 now requires 2001 CSO ultimate be used for GI policies issued starting January 1, 2020.
- Simplified issue table pending NAIC adoption

Impact of 2017 CSO Mortality Table on Compact Products

- The Compact's authority applies to life insurance form content and nonforfeiture values, not to reserving methodology, accounting methods, financial solvency requirements and asset transfers.
- Specific Uniform Standards references to mortality tables:
 - “[A]ny other mortality tables approved for use by the NAIC in determining minimum nonforfeiture values, may be used in determining minimum nonforfeiture values.” Actuarial Submission Requirements, Paragraph 1(a)
 - “The following items shall only be changed upon prior approval: (a) Mortality tables ... ” Variability of Information, Paragraph 3

Impact of 2017 CSO Mortality Table on Compact Products

- Specific Uniform Standards references, continued:
 - “The policy shall contain ... A statement of the mortality table and interest rate used in calculating the cash values and the paid-up nonforfeiture benefits available under the policy, together with a table showing the cash value, if any, and paid-up nonforfeiture benefits, if any, available under the policy ... ” Nonforfeiture Values-Policy Provision, Paragraph 1(e)
 - “The statement of the mortality table shall be complete (e.g. whether sex distinct or unisex, smoker or nonsmoker, or age nearest birthday or age last birthday).” Nonforfeiture Values-Policy Provision, Paragraph 1(e)
 - For UL/VUL products: [The actuarial memorandum shall include] “Identification and description of the source of the applicable mortality tables that are the basis of guaranteed maximum cost of the insurance rates;” Actuarial Submission Requirements, Paragraph (1)(c)

Impact of 2017 CSO Mortality Table on Compact Products

- Previously approved Compact products can be updated to reflect use of 2017 CSO Mortality Table for nonforfeiture values
- New products can be filed with the Compact to reflect use of 2017 CSO Mortality Table for nonforfeiture values
 - Commonly see mortality table description on specifications page and bracketed
 - Actuarial memorandum is required to contain demonstration and certification of nonforfeiture compliance with applicable NAIC Model

Impact of 2017 CSO Mortality Table on Compact Products

- Products utilizing Principle-Based Reserving for reserves may be submitted to the Compact for review and approval. Reserves and other financial solvency requirements are subject to state laws and regulations.
- The Compact accepts reserve information in the actuarial memorandum as documentation for member states

Compact Filing Experience with 2017 CSO Mortality Table

- Since April 2016 the Compact has seen many filings to update the mortality basis of previously approved products or create entirely new policies using 2017 CSO
- Short of a full product filing, the most common method is to provide revised specifications pages and revised actuarial memorandum and Statement of Variability

Compact Reference Material for CSO Updates

- www.insurancecompact.org > Record
 - Uniform Standards for individual life insurance policies and some riders (e.g. Additional Term)
 - Additional Mortality Table Change Standards
- Insurer Resources > Weekly Tips Archive
 - Weekly Tips issued April & September 2016, January 2019
- Insurer Resources > Filing Information Notices
 - FIN 2017-1 & FIN 2016-1
- Insurer Resources > Pre-Filing Communication Form

Weekly Tips Archive

- “Filing Your CSO Mortality Table Updates with the IIPRC” (April 7, 2016)
- “Filing Updated IIPRC CSO Material” (September 15, 2016)

Weekly Tips Archive

The Weekly Tip emails are published on a weekly basis. If you would like to get them sooner than when they are archived on the IIPRC website, make sure that you are a registered user with the IIPRC. If you have any questions regarding the Weekly Tip topics or registering with the IIPRC, please **contact** the IIPRC Office.

Weekly Tip Index

Click the link above for a comprehensive listing of all Weekly Tips sent out by the IIPRC Office, sorted by category.

Search Within Results

Search by keyword
CSO

Tips by Year

- 2017
- 2016
- 2015
- 2014
- 2013
- 2012

Filing Updated IIPRC CSO Material September 15, 2016
Category: Filing Process

This week's tip is an important one to share with your company actuary. Since publishing Filing Information Notice FIN 2016-1 outlining the options and procedures for filing new products or amending previously-approved products ... [read more...](#)

Filing Your CSO Mortality Table Updates with the IIPRC April 07, 2016
Category: Filing Process

This week's weekly tip provides more time-saving information to help expedite your filing process. Did you hear that at its meeting on April 6th, the National Association of Insurance Commission (NAIC) adopted the Valuation Manual amendments ... [read more...](#)

Filing Information Notices (FIN) 2017-1 & 2016 - 1

Two options for finding FINS:

- Home page > Filing Information Notices
- Insurer Resources page > Filing Reference Materials block > Filing Information Notices

The screenshot shows the COMPACT website home page. The navigation bar includes links for Docket, Record, Consumer, Insurer, and Regulator resources. The main content area features a map of the United States and a 'Links' sidebar. The 'Links' sidebar lists various resources, with 'Filing Information Notices (FIN)' highlighted with a red circle. A yellow arrow points from this link to the 'Filing Reference Materials' box on the right.

Links

- Compact Statute
- Bylaws
- Ethics Code
- Annual Reports
- Annual Budgets
- Filing Information Notices (FIN)**
- Minutes
- Product Filing Statistics
- State Premium Volume Chart
- SERFF Filing Access

Filing Reference Materials

- Record of Adopted Uniform Standards
- Index of Available Uniform Standards
- Filing Information Notices (FIN)**
 - FIN 2016-1 Webinar: Implementing the 2017 CSO Mortality Table for Compact Products
 - FIN 2017-1 FAQ
- Weekly Tips Archive
- Compact Type of Insurance (TOI) Link
- iLTC Rate Assumptions Template

The screenshot shows the 'Insurer Resources' page on the COMPACT website. The page is divided into several sections, including 'Resources for New Filers', 'Creating a Compact Filing', 'Expedited Review Process Pilot', and 'Fees'. The 'Filing Reference Materials' section is highlighted with a yellow box, and a yellow arrow points from it to the 'Filing Reference Materials' box on the left.



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Questions?



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Polling Questions

Making CSO Updates

The Insurance Compact is the streamlined vehicle for making this regulatory update:

1. File new products – Leverage opportunity to move products to the Insurance Compact subject to one set of Uniform Standards for one review and approval valid in up to 45 States
2. Update Compact-approved products in a variety of ways:
 - New Specification Page
 - Replacement Pages
 - Endorsement
 - Updated Statement of Variability if mortality table bracketed,

Making CSO Updates

□ Additional Standards for Mortality Table Change

- Adopted 2007, minor conforming amendments 2014
- These standards apply to the filing of replacement pages for individual life insurance forms whose sole purpose is to effectuate a change of a mortality table approved by the NAIC for nonforfeiture purposes. If there are any other form changes in addition to the mortality table, the entire form must be submitted for approval
- Not available for Mix and Match

Best Practices – Identifying the Mortality Table

- Policy and actuarial memo must comply with the applicable Insurance Compact Uniform Standards
- Best practice to add “adopted by the NAIC on April 6, 2016” to any references to the CSO Mortality Table in the actuarial memo, forms, and the Statement of Variability
 - CSGI Mortality Table “adopted by the NAIC on August 7, 2018”

Best Practices – Identifying the Mortality Table

- Any of the variables defining a specific mortality table including “adopted by the NAIC on April 6, 2016” may be bracketed as variable only on the specification page, and the SOV and actuarial memorandum must clearly explain which combinations of variables comprising a mortality table will be used for new issues.
- The entire table may be bracketed on the specifications page and the version or versions of the table that will be used for new issues must be specifically identified in the SOV and actuarial memorandum.

Best Practices – Identifying the Mortality Table

- Note that the Actuarial Memorandum and Statement of Variability should describe only those mortality tables and versions that will actually be used by the company for new issues.
- Actuary needs to acknowledge in the actuarial memorandum that any change to the mortality tables specified in the form or specification page, Statement of Variability and actuarial memorandum will be filed with the Compact for approval prior to use.

Illustrations Of Acceptable Mortality Table References

- Specification Page reference:
 - 2017 CSO Mortality tables adopted by the NAIC on April 6, 2016, 80% Male Gender-Blended, [Smoker], Ultimate, ALB
- Statement of Variability explanation:
 - Smoker or Non-Smoker will be used depending on insured, Composite will be used for issue ages 0-17
- Actuarial Memorandum:
 - Mortality Basis: 2017 CSO Mortality tables adopted by the NAIC on April 6, 2016, 80% Male Gender-Blended, Smoker/Non-Smoker, Ultimate, ALB. Composite rates will be used for issue ages 0-17. Any change to this mortality basis will be filed with the Compact for approval prior to use.

Illustrations Of Acceptable Mortality Table References

- Specification Page reference:
 - 2017 CSO Mortality tables [adopted by the NAIC on April 6, 2016], [80% Male Gender-Blended], [Smoker], [Ultimate], ALB
- Statement of Variability explanation:
 - Adopted by the NAIC on April 6, 2016 will be used
 - 80% Male Gender-Blended rates will be used for issues of the unisex version of the form and Male or Female rates will be used depending on the insured on the gender-distinct version of the form
 - Ultimate rates will be used
 - Smoker or Non-Smoker will be used depending on insured, Composite will be used for issue ages 0-17

Illustrations Of Acceptable Mortality Table References

- Actuarial memorandum:
 - Mortality Basis: 2017 CSO Mortality tables adopted by the NAIC on April 6, 2016, Male/Female, Smoker/Non-Smoker, Ultimate, ALB will be used for the gender-distinct form. 80% Male Gender-Blended rates will be used for the unisex form. Composite rates will be used for issue ages 0-17. Any change to this mortality basis will be filed with the IIPRC for approval prior to use



Frequently Asked Questions

2017 CSO Update FAQ

Q: Can the mortality basis of state-approved products be updated through the Compact?

A: No. Updates may be made to products previously approved by the Compact only.

Q: Can forms using the 2017 CSO table be filed for use in a state that hasn't adopted the 2017 CSO table?

A: Yes. The Uniform Standards permit the use of mortality tables approved for use by the NAIC in determining nonforfeiture values.

2017 CSO Update FAQ

Q: What do we need to do if we are re-pricing a term product but it doesn't impact the form? In other words, how can a term product that does not develop cash value be updated?

A: The company should update the previously approved actuarial memorandum in order to demonstrate that the product does not develop cash values using the 2017 CSO Mortality Table.

2017 CSO Update FAQ

Q: Can a product use the 2017 CSO Mortality Table for nonforfeiture values but not for reserves?

A: Yes. The Compact does not have requirements pertaining to reserves, and as such does not have restrictions requiring that reserves and nonforfeiture values be based on the same mortality table.

Q: Can a product use 2017 CSO Mortality Table for nonforfeiture testing but not for guaranteed maximum cost of insurance rates?

A: Yes. There is no requirement that the same mortality table be used for nonforfeiture testing as for COI rates.

2017 CSO Update FAQ

Q: Can a simplified issue product be filed that uses the yet-to-be-approved mortality table?

A: Versions of the 2017 CSO Mortality Table that have not been approved should not be referenced in the filing and cannot be approved for use. Instead, an actuarial memorandum citing an NAIC-approved table may be submitted for current use, and then updated via Supporting Documentation Update after a different table has been approved by the NAIC.

2017 CSO Update FAQ

Q: To update the mortality table for a previously approved product, can an excerpt or appendix to the approved actuarial memo be submitted, rather than re-submitting a complete actuarial memo?

A: Under FIN 2017-1, the actuarial memo being updated must be complete and include all required information, demonstrations and certifications.

2017 CSO Update FAQ

Q: How should guaranteed maximum cost of insurance rates for a universal life insurance product be updated?

A: A company should update the previously approved actuarial memorandum for universal life products if the company intends to use the 2017 CSO as the basis for guaranteed maximum COI rates. The actuarial memo should address the specific 2017 CSO mortality table which will be the basis for the maximum COI rates and include a complete table of maximum COI rates for all ages and risk classes.

2017 CSO Update FAQ

- Q: The UL and VUL policy uniform standards refer to using the composite mortality table for juvenile issues through age 14, but the 2017 CSO does not distinguish smoker/non-smoker mortality until age 18. How should this be reconciled?
- A: The Compact will accept and not object to the use of the 2017 CSO composite table through age 17. The standard is applied to mean a composite table can be used until the age at which the respective mortality table begins to distinguish between smoker and non-smoker mortality.



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CSO Updates Using SDU Filing Type

- Supporting Documentation Update (SDU) a way to amend a previously-*approved Compact* submission without submitting new form for review
- Options and requirements detailed in FIN 2017-1
 - No entry on the Form Schedule, i.e. SDU not available for new specifications page or endorsement
 - No Mix and Match, i.e. no entry on the SOI Schedule
 - Associated Filings feature ties previous filing to the SDU submission
 - Compact fee for new filing applies
 - Actuarial review required for mortality table updates
 - State fees in Appendix B

SDU Filing Type Key Criteria

Question 1: Has the form been (1) marketed or issued or (2) Closed-Approved for more than 90 calendar days?

- If no to both, submit revisions (other than additional form) in original filing. Keep approved form number. FIN 2017-1 § I.D
- If yes to either, submit revisions in a new filing. FIN 2017-1 § II.B and II.C
 - Is revision to static form language?
 - If yes, submit revised form for review in a new filing with new form number. FIN 2017 - 1§ II.B
 - If no, review FIN 2017-1 § II.C – can revision be made in a Supporting Documentation Update filing?

SDU Filing Type Submission Requirements

- Provide complete Statement of Variability and/or Actuarial Memorandum including updated/new items.
- Provide new certification of variability.
- If making non-variable item variable, include approved form with complete, revised bracketing on the **Supporting Documentation** tab—not the Form Schedule.

✔ Statement of Variability (SDU)

Approved 03/28/20

Description

1. Any information to be administered as variable must be bracketed or otherwise marked on the form to denote variability.
2. If the revisions being submitted include making non-variable items in the approved forms variable as permitted in Section II.C.2 of FIN 2017-1, include a copy of the approved forms showing the revised bracketing on the Supporting Documentation Schedule.
3. A Statement of Variability must be provided that discusses both the conditions under which each variable item may change as well as the alternative content to which the item may change.
4. Per Section II.C.1.e of FIN 2017-1, the new Statement of Variability or Actuarial Memorandum shall include all previously approved information still applicable and include the new, revised information.
5. For variable values, the Statement of Variability must present reasonable and realistic ranges for that value. A zero entry for a range of values on the specifications page for any benefit or credit provided for in the language of the policy is unacceptable.
6. For variable text, the Statement of Variability must provide for alternate text or indicate if the variability is limited to the text either being included or excluded and the conditions for each.
7. Provide a certification that any change or modification to a variable item shall be administered in accordance with the requirements in the Variability of Information section. This certification may be a statement:
 - a. Included in the Statement of Variability document or
 - b. in the Filing Description or
 - c. in a Comment under this submission requirement or
 - d. in a separate attachment

See Filing Information Notice 2017-1, § 2.C. <http://www.insurancecompact.org/fin.htm>

SDU Filing Type Best Practices

- If submitting a Supporting Documentation Update filing:
 - Use TOI/Sub-TOI of original filing.
 - Match states included in original filing.
 - Review submission requirements on Supporting Documentation tab—they are different.
- Provide comparison to pending or approved material via redline or detailed description.
- Contact Compact reviewer/actuary with any questions about revisions.



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