



**ARKANSAS INSURANCE DEPARTMENT
LEGAL DIVISION**

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RULE AND REGULATIONS 39

**SMOKER/NONSMOKER MORTALITY TABLES FOR USE IN DETERMINING MINIMUM
RESERVE LIABILITIES AND NONFORFEITURE BENEFITS**

EFFECTIVE DATE
May 1, 1986

SECTION

1. Purpose
2. Authority
3. Definitions
4. Alternate Tables
5. Conditions
6. Severability
7. Effective Date

SECTION 1. PURPOSE

The purpose of the Regulation is to permit the use of mortality tables that reflect difference in mortality between smokers and nonsmokers in determining minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits for plans of insurance with separate premium rates for smokers and nonsmokers.

SECTION 2. AUTHORITY

This Rule is promulgated by the Commissioner of Insurance pursuant to Ark. Stat. Ann. §§62-2111 and 66-3327 (8)(f).

SECTION 3. DEFINITIONS:

- A. As used in this Regulation, "1980 CSO Table, with or without Ten-Year Select Mortality Factors" means that mortality table, consisting of separate rates of mortality for male and female lives, developed by the Society of Actuaries Committee to Recommend New Mortality Tables for Valuation of Standard Individual Ordinary Life Insurance, incorporated in the 1980 NAIC Amendments to the Model Standard Valuation Law and Standard Nonforfeiture Law for Life Insurance, and referred to in those models as the Commissioners 1980 Standard

Ordinary Mortality Table, with or without Ten-Year Select Mortality Factors. The same select factors will be used for both smokers and nonsmokers tables.

- B. As used in this Regulation, "1980 CET Table" means that mortality table consisting of separate rates of mortality for male and female lives, developed by the Society of Actuaries Committee to Recommend New Mortality Tables for Valuation of Standard Individual Ordinary Life Insurance, incorporated in the 1980 NAIC Amendments to the Model Standard Nonforfeiture Law for Life Insurance, and referred to in those models as the Commissioners 1980 Extended Term Insurance Table.
- C. As used in this Regulation, "1958 CSO Table" means that mortality table developed by the Society of Actuaries Special Committee on new Mortality Tables, incorporated in the NAIC Model Standard Nonforfeiture Law for Life Insurance, and referred to in that model as the Commissioners 1958 Standard Ordinary Mortality Table.
- D. As used in this Regulation, "1958 CET Table" means that mortality table developed by the Society of Actuaries Special Committee on New Mortality Tables, incorporated in the NAIC Model Standard Nonforfeiture Law for Life Insurance, and referred to in that model as the Commissioners 1958 Extended Term Insurance Table.
- E. As used in this Regulation, the phrase "smoker and nonsmoker mortality tables" refers to the mortality tables with separate rates of mortality for smokers and nonsmokers derived from the tables defined in A through D of this section which were developed by the Society of Actuaries Task Force on Smoker/Nonsmoker Mortality and the California Insurance Department staff and recommended by the NAIC Technical Staff Actuarial Group.
- F. As used in this Regulation, the phrase "composite mortality tables" refers to the mortality tables defined in A through D of this section as they were originally published with rates of mortality that do not distinguish between smokers and nonsmokers.

SECTION 4. ALTERNATE TABLES

- A. For any policy of insurance delivered or issued for delivery in this State after the operative date of § 66-3327 (5.3) (10) for that policy form and before January 1, 1989, at the option of the company and subject to the conditions stated in Section 5 of this Regulation,
 - (i) the 1958 CSO Smoker and Nonsmoker Mortality Tables may be substituted for the 1980 CSO Table, with or without Ten-Year Select Mortality Factors, and
 - (ii) the 1958 CET Smoker and Nonsmoker Mortality Tables may be substituted for the 1980 CET Table.

for use in determining minimum reserve liabilities and minimum cash surrender values and amount of paid-up nonforfeiture benefits.

Provided that for any category of insurance issued on female lives With minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits determined using the 1958 CSO or 1958 CET Smoker and Nonsmoker Mortality Tables, such minimum values may be calculated according to an age not more than six years younger than the actual age of the insured.

Provided further that the substitution of the 1958 CSO or 1958 CET Smoker and Nonsmoker Mortality Tables is available only if made for each policy of insurance on a policy form delivered or issued for delivery on or after the operative date for that policy form and before a date not later than January 1, 1989.

- B. For any policy of insurance delivered or issued for delivery in this State after the operative date of Section 66-3327 (5-3) (10) for that policy form, at the option of the company and subject to the conditions stated in Section 5 of this Regulation,

- (i) the 1980 CSO Smoker and Nonsmoker Mortality Tables, with or without Ten-Year Select Mortality Factors, may be substituted for the 1980 CSO Table, with or without Ten-Year Select Mortality Factors, and
 - (ii) the 1980 CET Smoker and Nonsmoker Mortality Tables may be substituted for the 1980 CET Table
- for use in determining minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits.

SECTION 5. CONDITIONS

For each plan of insurance with separate rates for smokers and nonsmokers an insurer may

- (i) use composite mortality tables to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits,
- (ii) use smoker and nonsmoker mortality tables to determine the valuation net premiums and additional minimum reserves, if any, required by Section 66-3327 (7) and use composite mortality tables to determine the basic minimum reserves,, minimum cash surrender values and amounts of paid-up nonforfeiture benefits, or
- (iii) use smoker and nonsmoker mortality tables to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits.

SECTION 6. SEVERABILITY

If any provision of this Regulation or the application thereof to any person or circumstance is for any reason held to be invalid, the remainder of the regulation and the application of such provision to other persons or circumstances shall not be affected thereby.

SECTION 7. EFFECTIVE DATE

The effective date of this Regulation is May 1, 1986.

(signed by Commissioner Eubanks
Robert M. Eubanks III
Insurance Commissioner