

NOTICE OF INTENT TO ACT UPON REGULATION

Notice of Hearing for the Adoption, Amendment or Repeal of Regulations of The Department of Business and Industry, Division of Insurance

The State of Nevada Department of Business and Industry, Division of Insurance (“Division”), (775) 687-0700, will hold a public hearing at **10:30 a.m. on April 19, 2016**, at the Division’s office located at 1818 East College Parkway, 1st floor hearing room, Carson City, Nevada 89706. Interested persons may also participate through a simultaneous videoconference conducted at the Bradley Building, 2501 East Sahara Avenue, 3rd floor conference room, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption, amendment or repeal of regulations that pertain to **chapter 688A** of the Nevada Administrative Code (“NAC”).

The following information is provided pursuant to the requirements of Nevada Revised Statute (“NRS”) 233B.0603 and the directives of the Governor:

LCB File No. R093-14. Preferred Mortality Tables.

A regulation relating to insurance; amending provisions relating to the use of certain mortality tables adopted by the National Association of Insurance Commissioners to establish minimum reserve liabilities for certain policies of life insurance; and providing other matters properly relating thereto.

(1) Why is the regulation necessary and what is its purpose? **This regulation is required per the National Association of Insurance Commissioners (NAIC) Financial Accreditation Standards and is necessary to address the recognition of preferred mortality tables used in the determination of minimum reserve liabilities for life insurance companies transacting business within the state of Nevada. This is an existing regulation that requires technical amendments to bring it into compliance with the current NAIC model regulation. The proposed revisions to the existing language provide additional standards and guidance for calculating minimum reserve liabilities.**

(2) What are the terms or substance of the proposed regulation? **The existing regulation sets forth standards for the use of mortality tables that reflect differences between preferred and standard lives in determining minimum reserve liabilities for life insurance. The regulation also updates contact information for the National Association of Insurance Commissioners and the fees associated with obtaining copies of specific documents.**

The NAIC Financial Accreditation Standards requires the Model Regulation Permitting the Recognition of Preferred Mortality Tables for Use in Determining Minimum Reserve Liabilities to be in place for Nevada to maintain its accreditation status. The revisions/amendments included in this regulation are essential to maintain the accreditation status of Nevada and to ensure that all life insurance companies doing business in Nevada maintain appropriate reserves. Since this is an existing regulation, there are no anticipated issues or problems associated with this regulation.

(3) What is the anticipated impact of the regulation on the problem(s)? **If adopted, the proposed amendments will bring the regulation into compliance with the current NAIC model regulation and provide additional standards and guidance for calculating minimum reserve liabilities based upon preferred mortality tables.**

(4) Do other regulations address the same problem(s)? **No.**

(5) Are alternate forms of regulation sufficient to address the problem(s)? **No.**

(6) What value does the regulation have to the public? **This is an existing regulation that aids the Division in ensuring that all of the life insurance companies that are operating in the state of Nevada maintain appropriate reserves.**

(7) What is the anticipated economic benefit of the regulation? Provide a statement as to potential beneficial impact on the following: **As this is an existing regulation, there is no significant change to the impact of the regulation on the following.**

a. Public

1. Immediate: **This proposed regulation sets forth consistent national standards for the establishment and maintenance of appropriate life insurance reserves for insurers operating in the State of Nevada.**

2. Long Term: **This proposed regulation sets forth consistent national standards for the establishment and maintenance of appropriate life insurance reserves for insurers operating in the State of Nevada.**

b. Insurance Business

1. Immediate: **This proposed regulation sets forth consistent national standards for the establishment and maintenance of appropriate life insurance reserves for insurers operating in the State of Nevada.**

2. Long Term: **This proposed regulation sets forth consistent national standards for the establishment and maintenance of appropriate life insurance reserves for insurers operating in the State of Nevada.**

c. Small Businesses

1. Immediate: **This proposed regulation sets forth consistent national standards for the establishment and maintenance of appropriate life insurance reserves for insurers operating in the State of Nevada.**

2. Long Term: **This proposed regulation sets forth consistent national standards for the establishment and maintenance of appropriate life insurance reserves for insurers operating in the State of Nevada.**

d. Small Communities

1. Immediate: **This proposed regulation sets forth consistent national standards for the establishment and maintenance of appropriate life insurance reserves for insurers operating in the State of Nevada.**

2. Long Term: **This proposed regulation sets forth consistent national standards for the establishment and maintenance of appropriate life insurance reserves for insurers operating in the State of Nevada.**

e. Government Entities

1. Immediate: **This proposed regulation sets forth consistent national standards for the establishment and maintenance of appropriate life insurance reserves for insurers operating in the State of Nevada.**

2. Long Term: **This proposed regulation sets forth consistent national standards for the establishment and maintenance of appropriate life insurance reserves for insurers operating in the State of Nevada.**

(8) What is the anticipated adverse impact, if any? Provide a statement as to any anticipated adverse impact, including adverse economic effects, on the following:

a. Public

1. Immediate: **No adverse impact created by amending the regulation.**

2. Long Term: **No adverse impact created by amending the regulation.**

b. Insurance Business

1. Immediate: **No adverse impact created by amending the regulation.**

2. Long Term: **No adverse impact created by amending the regulation.**

c. Small Businesses

1. Immediate: **No adverse impact created by amending the regulation.**

2. Long Term: **No adverse impact created by amending the regulation.**

d. Small Communities

1. Immediate: **No adverse impact created by amending the regulation.**

2. Long Term: **No adverse impact created by amending the regulation.**

e. Government Entities

1. Immediate: **No adverse impact created by amending the regulation.**

2. Long Term: **No adverse impact created by amending the regulation.**

(9) What is the anticipated cost of the regulation, both direct and indirect? Provide a statement as to the cost of:

a. Enactment: **No significant cost anticipated.**

b. Enforcement: **No additional cost anticipated. This is an existing regulation.**

c. Compliance: **No additional cost anticipated. This is an existing regulation.**

(10) Provide a statement indicating whether the regulation establishes a new fee or increases an existing fee. **No new or additional fees are associated with this regulation.**

(11) Provide a statement which identifies the methods used by the agency in determining the impact of the proposed regulation on a small business, prepared pursuant to subsection 3 of NRS 233B.0608. **No adverse impact on small business.**

(12) Provide a description of any regulations of other state or local governmental agencies which the proposed regulation overlaps or duplicates, and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, state the name of the regulating federal agency. **There are no other regulations in the state that overlap or duplicate the proposed amendments to the existing regulation.**

(13) If the regulation is required pursuant to federal law, provide a citation and description of the federal law. **There are no federal regulations that address the requirements in this proposed amendment to the existing regulation.**

(14) If the regulation includes provisions which are more stringent than a federal regulation that regulates the same activity, provide a summary of such provisions. **There are no federal regulations that address the requirements in this proposed amendment to the existing regulation.**

Persons wishing to comment upon the proposed action of the Division may appear at the scheduled public hearing or may address their comments, data, views or arguments, in written form, to the Division, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. **Written submissions must be received by the Division on or before April 12, 2016.** If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the Division may proceed immediately to act upon any written submissions.

A copy of this notice and the regulation will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the regulation will be available at the offices of the Division, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, and 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulation are also available in the State of Nevada Register of Administrative Regulations, which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653, and on the Internet at <http://leg.state.nv.us/register/>. Copies of this notice and the proposed regulation will be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary. This does not apply to a public body subject to the Open Meeting Law.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, shall issue a concise statement of the principal reasons for and against its adoption, and incorporate therein its reason for overruling the consideration urged against its adoption.

Notice of the hearing was provided via electronic means to all persons on the agency's e-mail list for administrative regulations, and this Notice of Intent to Act Upon Regulation was posted to the agency's Internet Web site at <http://doi.nv.gov/> and was provided to or posted at the following locations:

Department of Business and Industry
Division of Insurance
1818 East College Parkway, Suite 103
Carson City, Nevada 89706

Department of Business and Industry
Division of Insurance
2501 East Sahara Avenue, Suite 302
Las Vegas, Nevada 89104

Legislative Building
401 South Carson Street
Carson City, Nevada 89701

Grant Sawyer Building
555 East Washington Avenue
Las Vegas, Nevada 89101

Blasdel Building
209 East Musser Street
Carson City, Nevada 89701

Capitol Building Main Floor
101 North Carson Street
Carson City, Nevada 89701

Nevada Department of Employment,
Training and Rehabilitation
2800 E. Saint Louis Ave.
Las Vegas, NV 89104

Nevada State Library & Archives
100 North Stewart Street
Carson City, Nevada 89701

Carson City Library
900 North Roop Street
Carson City, Nevada 89701

Churchill County Library
553 South Main Street
Fallon, Nevada 89406

Douglas County Library
P.O. Box 337
Minden, Nevada 89423

Elko County Library
720 Court Street
Elko, Nevada 89801

Esmeralda County Library
P.O. Box 430
Goldfield, Nevada 89013

Eureka Branch Library
P.O. Box 293
Eureka, Nevada 89316

Humboldt County Library
85 East 5th Street
Winnemucca, Nevada 89445

Lander County Library
P.O. Box 141
Battle Mountain, Nevada 89820

Las Vegas-Clark County Library District
7060 W. Windmill Lane
Las Vegas, NV 89113

Lincoln County Library
P.O. Box 330
Pioche, Nevada 89043-0330

Lyon County Library
20 Nevin Way
Yerington, Nevada 89447

Mineral County Public Library
P.O. Box 1390
Hawthorne, Nevada 89415

Pershing County Library
P.O. Box 781
Lovelock, Nevada 89419

Storey County Clerk
P.O. Drawer D
Virginia City, Nevada 89440

Tonopah Public Library
P.O. Box 449
Tonopah, Nevada 89049

Washoe County/Downtown Reno Library
P.O. Box 2151
Reno, Nevada 89505-2151

White Pine County Library
950 Campton Street
Ely, Nevada 89301

Members of the public who would like additional information about the proposed regulation may contact Annette James, Lead Actuary, at (775) 687-0732, or via e-mail to ajames@doi.nv.gov.

Members of the public who are disabled and require special accommodations or assistance at the hearing are requested to notify the Commissioner's secretary in writing at 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, or by calling (775) 687-0700, a day prior to the hearing.

DATED this 14th day of March, 2016.



BARBARA D. RICHARDSON
Commissioner of Insurance

HEARING AGENDA

The Department of Business and Industry, Division of Insurance

April 19, 2016 • 10:30 a.m.

Location of Hearing:

Office of the Division of Insurance
1818 E. College Pkwy., 1st Floor Hearing Room
Carson City, NV 89706
(Division Offices located in Suite 103)

Available via Videoconference at:

Office of the Division of Insurance
2501 E. Sahara Ave., 3rd Floor Conference Room
Las Vegas, NV 89104
(Division Offices located in Suite 302)

1. **Call to Order.**
2. **Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)
LCB File No. R093-14. Preferred Mortality Tables.**
A regulation relating to insurance; amending provisions relating to the use of certain mortality tables adopted by the National Association of Insurance Commissioners to establish minimum reserve liabilities for certain policies of life insurance; and providing other matters properly relating thereto.
3. **Public Comment.**
4. **Adjournment.**

Supporting public material for this meeting may be requested from Betsy Gould, Legal Secretary, Nevada Division of Insurance, 1818 E. College Parkway, Carson City, Nevada 89706, by e-mail to bgould@doi.nv.gov, or by calling (775) 687-0705. In your request, please state that you are requesting meeting materials for LCB File No. **R093-14, Preferred Mortality Tables**, and provide the date of the meeting.

Note: Any agenda item may be taken out-of-order; items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time. The Hearing Officer, within his/her discretion, may allow for public comment on individual agenda items. Public Comment may be limited to three minutes per speaker.

Members of the public are encouraged to submit written comments for the record.

We are pleased to make reasonable accommodations for attendees with disabilities. Please notify Sheri LeTourneau, Assistant to the Commissioner, at (775) 687-0771, no later than five (5) working days before the meeting.

NOTICES FOR THIS MEETING HAVE BEEN POSTED IN ACCORDANCE WITH NRS 241 AT THE FOLLOWING LOCATIONS:

Nevada Division of Insurance, 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706
Nevada Division of Insurance, 2501 E. Sahara Avenue, Suite 302, Las Vegas, Nevada 89104
Nevada State Legislative Building, 401 S. Carson Street, Carson City, Nevada 89701

Grant Sawyer State Office Building, 555 E. Washington Avenue, Las Vegas, Nevada 89101
Blasdel State Office Building, 209 E. Musser Street, Carson City, Nevada 89701
Nevada State Capitol, 101 N. Carson Street, Carson City, Nevada 89701
Nevada Dept. of Employment, Training and Rehabilitation, 2800 E. Saint Louis Avenue, Las Vegas, Nevada 89104
The State of Nevada Website (www.nv.gov)
The Nevada State Legislature Website (www.leg.state.nv.us)
The Nevada Division of Insurance Website (www.doi.nv.gov)

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R093-14

July 23, 2014

EXPLANATION – Matter in *italics* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: §§1-7, NRS 679B.130, 681B.120 and 688A.325.

A REGULATION relating to insurance; amending provisions relating to the use of certain mortality tables adopted by the National Association of Insurance Commissioners to establish minimum reserve liabilities for certain policies of life insurance; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law authorizes the Commissioner of Insurance to adopt by regulation certain mortality tables adopted by the National Association of Insurance Commissioners to establish minimum reserve liabilities for certain policies of life insurance. (NRS 679B.130, 681B.120, 688A.325) Under existing regulations, the Commissioner has adopted by reference the *Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation* adopted by the National Association of Insurance Commissioners and thereby authorized its use by insurers as the minimum standard of valuation for certain policies of insurance. (NAC 688A.350) Existing regulations define the *2001 CSO Mortality Table* as “the mortality table consisting of separate rates of mortality for male and female lives.” (NAC 688A.325) Existing regulations also define the *2001 CSO Preferred Class Structure Mortality Table* as “the mortality table with separate rates of mortality for super preferred nonsmokers, preferred nonsmokers, residual standard nonsmokers, preferred smokers and residual standard smokers which are splits of the 2001 CSO nonsmoker and smoker mortality tables.” (NAC 688A.327) Under existing regulations, an insurer who satisfies certain requirements, including providing proof satisfactory to the Commissioner of Insurance that 20 percent or more of the business to be valued under a policy of insurance is in one or more of the preferred classes described in the *2001 CSO Preferred Class Structure Mortality Table*, may elect to use that mortality table in lieu of the *2001 CSO Mortality Table* to determine minimum reserves. (NAC 688A.353)

Section 1 of this regulation prohibits the use of the *2001 CSO Preferred Class Structure Mortality Table* in certain circumstances. **Sections 3-5** of this regulation amend provisions relating to obtaining copies of the *2001 CSO Mortality Table*, the *2001 CSO Preferred Class Structure Mortality Table* and the *Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation*. **Section**

6 of this regulation provides for the use of the *2001 CSO Preferred Class Structure Mortality Table* in lieu of the *2001 CSO Mortality Table* in certain circumstances.

Section 1. Chapter 688A of NAC is hereby amended by adding thereto a new section to read as follows:

1. An insurer shall not use the 2001 CSO Preferred Class Structure Mortality Table for the valuation of policies issued before January 1, 2008, in any financial statement required by statute in which the insurer reports, with respect to any policy or portion of a policy coinsured:

(a) In cases where the mode of payment of the reinsurance premium is less frequent than the mode of payment of the policy premium, a reserve credit that exceeds, by more than Y, the gross reserve calculated before reinsurance. As used in this paragraph, Y is the amount of the gross reinsurance premium that:

(1) Provides coverage for the period from the next policy premium due date to the earlier of the end of the policy year and the next reinsurance premium due date; and

(2) Would be refunded to the ceding entity upon the termination of the policy.

(b) In cases where the mode of payment of the reinsurance premium is more frequent than the mode of payment of the policy premium, a reserve credit that is less than the gross reserve, calculated before reinsurance, by an amount that is less than Z. As used in this paragraph, Z is the amount of the gross reinsurance premium that the ceding entity would need to pay the assuming company to provide reinsurance coverage from the period of the next reinsurance premium due date to the next policy premium due date minus any liability established for the proportionate amount not remitted to the insurer.

2. An insurer may estimate and adjust its accounting on an aggregate basis to meet the conditions to use the 2001 CSO Preferred Class Structure Mortality Table set forth in this section and NAC 688A.355 and 688A.357.

3. For the purposes of subsection 1, the reserve:

(a) For the mean reserve method is defined as the mean reserve minus the deferred premium asset; and

(b) For the mid-terminal reserve method includes the unearned premium reserve.

Sec. 2. NAC 688A.320 is hereby amended to read as follows:

688A.320 As used in NAC 688A.320 to 688A.363, inclusive, **and section 1 of this regulation**, unless the context otherwise requires, the words and terms defined in NAC 688A.325, 688A.327 and 688A.330 have the meanings ascribed to them in those sections.

Sec. 3. NAC 688A.325 is hereby amended to read as follows:

688A.325 1. “*2001 CSO Mortality Table*” means the mortality table, consisting of separate rates of mortality for male and female lives, developed by the CSO Task Force of the American Academy of Actuaries from the *2001 Valuation Basic Mortality Table* developed by the Individual Life Insurance Valuation Mortality Task Force of the Society of Actuaries and adopted by the National Association of Insurance Commissioners in December 2002. The *2001 CSO Mortality Table* is set forth in the *Proceedings of the NAIC (2nd Quarter 2002)* and supplemented by the *2001 CSO Preferred Class Structure Mortality Table*.

2. Unless the context otherwise requires, the *2001 CSO Mortality Table* includes both the ultimate form of that table and the select and ultimate form of that table, both the smoker and nonsmoker mortality tables and the composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality tables. The mortality tables in the *2001 CSO Mortality Table* include:

(a) A table which consists of the rates of mortality for female lives from the *2001 CSO Mortality Table*;

(b) A table which consists of the rates of mortality for male lives from the *2001 CSO Mortality Table*;

(c) Composite mortality tables, which consist of rates of mortality that do not distinguish between smokers and nonsmokers; and

(d) Smoker and nonsmoker mortality tables, which consist of separate rates of mortality for smokers and nonsmokers.

3. A copy of the *Proceedings of the NAIC (2nd Quarter 2002)*, which includes a copy of *the 2001 CSO Mortality Table*, may be obtained from the ~~Insurance Products and Services Division of the~~ National Association of Insurance Commissioners, ~~2301 McGee~~ *1100 Walnut* Street, Suite ~~800,~~ *1500*, Kansas City, Missouri ~~64108-2662,~~ *64106-2197*, by telephone at (816) 783-8300 or on the Internet at ~~http://www.naic.org/store_home.htm,~~ <http://www.naic.org>, for the price of \$180.

Sec. 4. NAC 688A.327 is hereby amended to read as follows:

688A.327 1. “*2001 CSO Preferred Class Structure Mortality Table*” means the mortality table with separate rates of mortality for super preferred nonsmokers, preferred nonsmokers, residual standard nonsmokers, preferred smokers and residual standard smokers which are splits of the 2001 CSO nonsmoker and smoker mortality tables as adopted by the National Association of Insurance Commissioners at the September 2006 national meeting and published in the *Proceedings of the NAIC (3rd Quarter 2006)*.

2. Unless the context otherwise requires, the *2001 CSO Preferred Class Structure Mortality Table* includes both the ultimate form of that table and the select and ultimate form of that table, both the smoker and nonsmoker mortality tables, both the male and female mortality tables and

the gender composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality table.

3. A copy of the *Proceedings of the NAIC (3rd Quarter 2006), which includes the 2001 CSO Preferred Class Structure Mortality Table*, may be obtained from the ~~Insurance Products and Services Division of the~~ National Association of Insurance Commissioners, ~~2301 McGee~~ *1100 Walnut* Street, Suite ~~800,~~ *1500*, Kansas City, Missouri ~~64108-2662,~~ *64106-2197*, by telephone at (816) 783-8300 or on the Internet at ~~http://www.naic.org/store_home.htm,~~ <http://www.naic.org>, for the price of ~~\$200,~~ *\$90*.

Sec. 5. NAC 688A.350 is hereby amended to read as follows:

1. For the purposes of NRS 681B.120 and 688A.325 and NAC 681B.161 and 688A.320 to 688A.363, inclusive, *and section 1 of this regulation*, and except as otherwise provided in this section, the Commissioner hereby adopts by reference the *Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation* as adopted by the National Association of Insurance Commissioners on December 8, 2002. *The Commissioner will periodically review the publication adopted by reference in this subsection and any changes thereto and determine within 30 days after the review whether a change made to the publication is appropriate for application in this State. If the Commissioner does not disapprove a change to the publication within 30 days after the review, the change is deemed to be approved by the Commissioner.*

2. Any reference in the *Model Regulation* to:

(a) “Section 4A(c) of the Standard Valuation Law” shall be deemed a reference to “subparagraph (3) of paragraph (a) of subsection 2 of NRS 681B.120.”

(b) “Section 5cH(6) of the Standard Nonforfeiture Law for Life Insurance” shall be deemed a reference to “paragraph (f) of subsection 8 of NRS 688A.325.”

(c) The “Valuation of Life Insurance Policies Model Regulation” or “Valuation of Life Insurance Model Regulation” shall be deemed a reference to “NAC 681B.161.”

(d) “Section 8 of the NAIC Model Standard Valuation Law” shall be deemed a reference to “NRS 681B.150.”

(e) “Section 5A of the Actuarial Opinion and Memorandum Regulation” shall be deemed a reference to “NAC 681B.175.”

(f) An “unfair trade practices statute” shall be deemed a reference to “NRS 686A.100.”

3. A copy of the *Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation* may be obtained from the ~~Insurance Products and Services Division of the~~ National Association of Insurance Commissioners, ~~2301 McGee~~ **1100 Walnut** Street, Suite ~~800,~~ **1500**, Kansas City, Missouri ~~64108-2662, for the price of \$50, and is available, free of charge,~~ **64106-2197, by telephone at (816) 783-8300 or** on the Internet at **www.naic.org** ~~†~~, **at no charge.**

Sec. 6. NAC 688A.353 is hereby amended to read as follows:

688A.353 1. Except as otherwise provided in subsection ~~2,~~ **3 and section 1 of this regulation**, at the election of the insurer, for each calendar year of issue and for any one or more specified plans of insurance, an insurer who satisfies the requirements of NAC 688A.355 to 688A.363, inclusive, may use the *2001 CSO Preferred Class Structure Mortality Table* in lieu of the smoker and nonsmoker mortality tables in the *2001 CSO Mortality Table* as the minimum valuation standard for policies of life insurance issued on or after January 1, 2008.

2. *For policies of life insurance issued on or after January 1, 2005, and before January 1, 2008, with the consent of the Commissioner and subject to the conditions of NAC 688A.355, 688A.357 and section 1 of this regulation, an insurer may use the 2001 CSO Preferred Class Structure Mortality Table in lieu of the smoker and nonsmoker mortality tables in the 2001 CSO Mortality Table as the minimum valuation standard for the policies. In determining such consent, the Commissioner may rely on the consent of the insurance commissioner of the insurer's state of domicile.*

3. An insurer may make the election described in subsection 1 only if the insurer provides proof satisfactory to the Commissioner that 20 percent or more of the business to be valued pursuant to the *2001 CSO Preferred Class Structure Mortality Table* is in one or more of the preferred classes.

~~3.~~ 4. A mortality table used pursuant to this section shall be deemed to be part of the *2001 CSO Mortality Table* only for purposes of reserve valuation pursuant to the *Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation* adopted by reference pursuant to NAC 688A.350.

Sec. 7. NAC 688A.357 is hereby amended to read as follows:

688A.357 ~~For~~ *Except as otherwise provided in section 1 of this regulation, for* each plan of insurance with separate rates for preferred and standard smoker lives, an insurer may use the preferred smoker and residual standard smoker tables in the *2001 CSO Preferred Class Structure Mortality Table* in lieu of the smoker mortality table in the *2001 CSO Mortality Table* to determine minimum reserves. On the valuation date on which the insurer first uses the tables in the *2001 CSO Preferred Class Structure Mortality Table* to determine minimum reserves, and

annually thereafter, for business valued under the preferred smoker table, the appointed actuary must certify that:

1. The present value of death benefits over the 10-year period immediately following the valuation date, using the anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the preferred smoker valuation basic table corresponding to the valuation table being used for that class; and

2. The present value of death benefits over the future life of the contracts, using anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the preferred smoker valuation basic table.

**STATE OF NEVADA
DEPARTMENT OF BUSINESS & INDUSTRY
DIVISION OF INSURANCE**

Determination of Necessity of Small Business Impact Statement

LCB File No. R093-14

A regulation amending provisions relating to the use of certain mortality tables adopted by the National Association of Insurance Commissioners to establish minimum reserve liabilities for certain policies of life insurance; and providing other matters properly related thereto.

Effective Date of Regulation: Upon filing with the Nevada Secretary of State

1. BACKGROUND

Existing law authorizes the Commissioner of Insurance to adopt by regulation certain mortality tables adopted by the National Association of Insurance Commissioners to establish minimum reserve liabilities for certain policies of life insurance. (NRS 679B.130, 681B.120, 688A.325) Under existing regulations, the Commissioner has adopted by reference the Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation adopted by the National Association of Insurance Commissioners and thereby authorized its use by insurers as the minimum standard of valuation for certain policies of insurance. (NAC 688A.350) Existing regulations define the 2001 CSO Mortality Table as "the mortality table, consisting of separate rates of mortality for male and female lives, . . ." (NAC 688A.325) Existing regulations also define the 2001 CSO Preferred Class Structure Mortality Table as "the mortality table with separate rates of mortality for super preferred nonsmokers, preferred nonsmokers, residual standard nonsmokers, preferred smokers and residual standard smokers which are splits of the 2001 CSO nonsmoker and smoker mortality tables . . ." (NAC 688A.327) Under existing regulations, an insurer who satisfies certain requirements, including providing proof satisfactory to the Commissioner of Insurance that 20 percent or more of the business to be valued under a policy of insurance is in one or more of the preferred classes described in the 2001 CSO Preferred Class Structure Mortality Table, may elect to use that mortality table in lieu of the 2001 CSO Mortality Table to determine minimum reserves. (NAC 688A.353); Section 1 of this regulation prohibits the use of the 2001 CSO Preferred Class Structure Mortality Table in certain circumstances; Sections 3-5 of this regulation amend provisions relating to obtaining copies of the 2001 CSO Mortality Table, the 2001 CSO Preferred Class Structure Mortality Table and the Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation; Section 6 of this regulation provides for the use of the 2001 CSO Preferred Class Structure Mortality Table in lieu of the 2001 CSO Mortality Table in certain circumstances.

2. DESCRIPTION OF SOLICITATION

The Division determined that the proposed regulation does not and is not likely to impose a direct or significant economic burden upon small businesses. The Division also concluded that the proposed regulation does not directly restrict the formation, operation or expansion of a small business. Based on that determination, the Division concluded that an analysis of the impact of the proposed regulation on small businesses, and the solicitation of input from owners and officers of small businesses likely to be affected by the proposed regulation, were not necessary. Accordingly, a small business impact statement was not prepared (NRS 233B.0608.2).

3. DOES THE PROPOSED REGULATION IMPOSE A DIRECT AND SIGNIFICANT ECONOMIC BURDEN UPON A SMALL BUSINESS OR DIRECTLY RESTRICT THE FORMATION, OPERATION OR EXPANSION OF A SMALL BUSINESS? (NRS 233B.0608.1)(circle one)

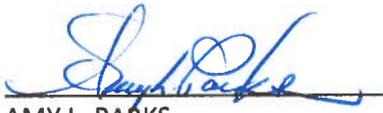
NO (answer #4) YES (skip to #5)

4. HOW WAS THAT CONCLUSION REACHED? (NRS 233B.0608.3)

The proposed regulation affects the calculation of the reserves held by life insurance companies. The actual impact of the proposed regulation may result in a decrease or increase in the level of reserves required to be held by a life insurance company, depending on the mortality characteristics of the company's insureds and on the mix of products offered by the insurer. Since the proposed regulation applies to all life insurers, the Division determined that it does not impose a direct or significant economic burden upon small businesses as defined by NRS chapter 233B, nor does it directly restrict the formation, operation or expansion of a small business.

I, Amy L. Parks, Acting Commissioner of Insurance for the State of Nevada, certify that, to the best of my knowledge or belief, a concerted effort was made to determine the impact of the proposed regulation on small businesses and that the information contained in the statement above is accurate. (NRS 233B.0608.3)

2/10/16
(DATE)


AMY L. PARKS
Acting Commissioner of Insurance

Small Business Impact Statement

(LCB File No. R093-14)

5. SUMMARY OF COMMENTS RECEIVED FROM SMALL BUSINESSES (NRS 233B.0609.1.a)

N/A

6. ESTIMATED ECONOMIC EFFECT ON SMALL BUSINESSES THE REGULATION IS TO REGULATE (NRS 233B.0609.1.c)

N/A

7. METHODS CONSIDERED TO REDUCE IMPACT ON SMALL BUSINESSES (NRS 233B.0609.1.d)

N/A

8. ESTIMATED COST OF ENFORCEMENT (NRS 233B.0609.1.e)

N/A

9. FEE CHANGES (NRS 233B.0609.1.f)

N/A

10. DUPLICATIVE PROVISIONS (NRS 233B.0609.1.g)

N/A

11. HOW WAS THE ANALYSIS CONDUCTED? (NRS 233B.0609.1.b)

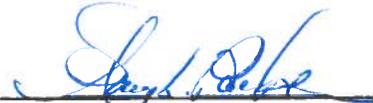
N/A

12. REASONS FOR CONCLUSIONS (NRS 233B.0609.1.h)

N/A

I, Amy L. Parks, Acting Commissioner of Insurance for the State of Nevada, certify that, to the best of my knowledge or belief, the information contained in the statement above was prepared properly and is accurate. (NRS 233B.0609.2)

2/10/16
(DATE)


AMY L. PARKS
Acting Commissioner of Insurance