806 KAR 6:060. Reserve liabilities, cash surrender values, and nonforfeiture benefits for plans of life insurance with separate rates for smokers and nonsmokers.

RELATES TO: KRS 304.6-140, 304.6-145, 304.6-180, 304.15-342, 304.15-410

STATUTORY AUTHORITY: KRS 304.2-110, 304.6-140, 304.15-410

NECESSITY, FUNCTION, AND CONFORMITY: EO 2004-731, signed July 9, 2004, created the Office of Insurance. KRS 304.2-110(1) authorizes the Commissioner of Insurance to make reasonable administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code as defined in KRS 304.1-010. KRS 304.6-140 authorizes the commissioner to promulgate administrative regulations for the use of ordinary mortality tables adopted after 1980 by the National Association of Insurance Commissioners (NAIC). KRS 304.15-410 states that where minimum reserves cannot be determined by the methods described in KRS 304.6-150, 304.6-155, and 304.6-180, they shall be determined by a method consistent with the principals of these sections, but as determined by administrative regulations issued by the commissioner. This administrative regulation permits the use of mortality tables that reflect differences 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 1. Definitions.

(1) "1958 CET Table" means that mortality table developed by the Society of Actuaries Special Committee on New Mortality Tables, referenced in KRS 304.15-340.

(2) "1958 CSO Table" means a mortality table developed by the Society of Actuaries Special Committee on New Mortality Tables, referenced in KRS 304.15-340.

(3) "1980 CET Table" means a 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, referenced in KRS 304.15-342.

(4) "1980 CSO Table, with or without Ten (10) Year Select Mortality Factor" 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, referenced in KRS 304.6-140 and 304.15-342.

(5) "Composite mortality tables" refers to the mortality tables defined in subsections (1) through (4) of this section as they were originally published with rates of mortality that do not distinguish between smokers and nonsmokers.

(6) "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 1 through 4 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.

Section 2. Alternate Tables.

(1)

(a) For any policy of insurance delivered or issued for delivery in Kentucky after July 15, 1982 for that policy form and before January 1, 1989, at the option of the company and subject to the conditions stated in Section 3 of this administrative regulation for the following tables for use in determining minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits:

1. The 1958 CSO Smoker and Nonsmoker Mortality Tables may be substituted for the 1980 CSO Table, with or without Ten (10) Year Select Mortality Factors; and

2. The 1958 CET Smoker and Nonsmoker Mortality Tables may be substituted for the 1980 CET Table.

(b) 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, minimum values may be calculated according to an age not more than six (6) years younger than the actual age of the insured.

(c) 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.

(2) For any policy of insurance delivered or issued for delivery in this state after the operative date of KRS 304.15-342 for that policy form, at the option of the company and subject to the conditions stated in Section 3 of this administrative regulation for the following tables for use in determining minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits:

(a) The 1980 CSO Smoker and Nonsmoker Mortality Tables, with or without Ten (10) Year Select Mortality Factors, may be substituted for the 1980 CSO Table, with or without Ten (10) Year Select Mortality Factors; and

(b) The 1980 CET Smoker and Nonsmoker Mortality Tables may be substituted for the 1980 CET Table.

Section 3. Conditions. For each plan of insurance with separate rates for smokers and nonsmokers an insurer may:

(1) Use composite mortality tables to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits;

(2) Use smoker and nonsmoker mortality tables to determine the valuation net premiums and additional minimum reserves, if any, required by KRS 304.6-140 and 304.6-180 and use composite mortality tables to determine the basic minimum reserves, minimum cash surrender values and amounts of paid-up nonforfeiture benefits; or

(3) Use smoker and nonsmoker mortality to determine minimum reserve liabilities and minimum cash surrender values and amounts of paid-up nonforfeiture benefits.

Section 4. Severability. If any provision of this administrative regulation or the application thereof to any person or circumstance is for any reason held to be invalid, the remainder of the administrative regulation and the application of such provision to other persons or circumstances shall not be affected.

Section 5. Incorporation by Reference.

(1) The following material is incorporated by reference:

(a) "1980 CSO Table (1980)";

(b) "Ten (10) Year Select Mortality Factors (1980)";

(c) "1980 CET Table (1980)";

(d) "1958 CSO Table (1958)"; and

(e) "1958 CET Table (1958)."

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(11 Ky.R. 678; eff. 11-13-84; 31 Ky.R. 851; 1146; eff. 1-4-2005; Crt eff. 2-26-2020; TAm eff. 3-10-2020.)