



STATE OF ARIZONA
DEPARTMENT OF INSURANCE

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Director of Insurance

Regulatory Bulletin 2003-12*

TO: All Licensed Life Insurance Companies

FROM: Christina Urias
Director of Insurance

DATE: December 29, 2003

RE: 2001 Commissioners' Standard Ordinary (CSO) Mortality Table

The purpose of this bulletin is to advise interested parties that, effective January 1, 2004, the Director approves the 2001 Commissioners Standard Ordinary (CSO) Mortality Table for use in determining the minimum valuation standard and the minimum nonforfeiture standard for all ordinary life insurance policies and contracts issued on a standard basis. On and after January 1, 2004, an insurer may elect to use the 2001 CSO Mortality Table for any specified plans of insurance subject to any applicable provisions of A.R.S. § 20-510 and A.R.S. § 20-1231.01.

A.R.S. § 20-510(D) specifies the minimum valuation standard for all policies and contracts. For ordinary life insurance policies issued on the standard basis, on or after the operative date of A.R.S. § 20-1231.01, insurers may use any ordinary mortality table that the National Association of Insurance Commissioners (NAIC) adopts after 1980 and that the Director of Insurance has approved for use, in determining the minimum valuation standard for those policies. A.R.S. § 20-1231.01(8)(f) also permits an insurer to use such mortality tables to determine the minimum nonforfeiture standard for all policies and contracts.

In December 2002, the NAIC adopted the 2001 Commissioners Standard Ordinary (CSO) Mortality Table, as set forth in the *Report of the American Academy of Actuaries' Commissioners Standard Ordinary Task Force, as presented to the National Association of Insurance Commissioners' Life and Health Actuarial Task Force June 2002* (the "2001 CSO Mortality Table"). The 2001 Mortality Table includes both the select and ultimate form of that table, both the smoker and nonsmoker mortality tables,

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the composite mortality tables, and both the age-nearest-birthday and age-last-birthday bases for the mortality tables. The NAIC also adopted a model regulation to recognize, permit and prescribe the use of the 2001 CSO Mortality Table: "Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation." It is expected that many of the requirements of this model regulation will ultimately be reflected in the NAIC Accounting Practices and Procedures Manual, which insurers follow in this state pursuant to A.R.S. § 20-223.

Until such time as the Department formally promulgates the NAIC model regulation, or when use of the 2001 CSO Mortality Table is expressly codified by statute, the Department will refer to the NAIC model as guidance for interpreting and enforcing the requirements of A.R.S. §§ 20-510 and 20-1231.01 when an insurer uses the 2001 CSO Mortality Table.

Please direct any questions regarding this bulletin to William K. Robinson, Life and Health Actuary, 602-912-8420, ext. 4231, or Wrobinson@id.state.az.us.