

Bulletin 2009-02

Interpretation of the Calculation of the Segment Length with respect to the Life Insurance Model Regulation and use of the 2001 CSO Preferred Class Structure Table to Determine Basic and Minimum Reserve Liabilities.

Effective Date: February 3, 2009

The purpose of this Bulletin is to exercise the discretion provided to the Ohio Superintendent of Insurance (“Superintendent”) to prescribe the method employed by Life insurance companies domiciled in the state of Ohio in the preparation of those companies statutory financial statements and to document the standard which the Department will consider a permitted accounting practice.

With the Department’s review and approval, Director Hudson is permitting Life insurance companies domiciled in the state of Ohio to determine reserves for those products by following the guidance below.

This Ohio XXX Reserve Segmentation Guidance is effective for reporting periods ending on or after December 31, 2008 and will expire on December 15, 2009.

In addition, any financial benefit derived from this guidance may not be used in the determination of any dividends or other distributions available for shareholders.

This guidance is considered a “permitted accounting practice” and as such the procedures and disclosure required by the NAIC Accounting Practices and Procedures Manual must be complied with.

OHIO XXX RESERVE SEGMENTATION GUIDANCE

INTERPRETATION OF THE CALCULATION OF THE SEGMENT LENGTH WITH RESPECT TO THE LIFE INSURANCE POLICIES MODEL REGULATION AND USE OF THE 2001 CSO PREFERRED CLASS STRUCTURE TABLE TO DETERMINE BASIC AND MINIMUM RESERVE LIABILITIES

I. Background

The purpose of this guidance is to clarify that when a company elects to use the 2001 CSO Preferred Class Structure Table to determine minimum valuation requirements that it is permissible to use distinct versions of the table for determination of contract segments as defined in the Valuation of Life Insurance Policies Model Regulation.

Section 4B of the Valuation of Life Insurance Policies Model Regulation defines the “Contract Segmentation Method” in which segments are to be calculated using the valuation mortality rates for deficiency reserves. Section 6A(2) of The Recognition of the 2001 CSO Mortality Table for

Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation allows the use of the 2001 CSO Table, including the unmodified select mortality rates, in calculating the segments.

Model Regulation Permitting the Recognition of Preferred Mortality Tables For Use in Determining Minimum Reserve Liabilities was adopted that defined the 2001 CSO Preferred Class Structure Mortality Table and it may be substituted in place of the 2001 CSO Smoker or Nonsmoker Table. This model regulation also made it clear that the 2001 CSO Preferred Class Structure Mortality includes the smoker and nonsmoker versions of the 2001 CSO table as well as the preferred and residual versions.

II. Scope

This guidance is effective December 31, 2008.

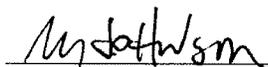
III. Text

For policies issued on a policy form filed for approval prior to January 1, 2009:

For policies which use the Preferred Structure Tables of the 2001 CSO defined in the Model Regulation Permitting the Recognition of Preferred Mortality Tables For Use in Determining Minimum Reserve, Section 4B of the Valuation of Life Insurance Policies Model Regulation shall be interpreted so that the mortality may be the smoker table or nonsmoker table.

For policies issued on a policy form filed for approval after January 1, 2009:

For policies which use the Preferred Structure Tables of the 2001 CSO defined in the Model Regulation Permitting the Recognition of Preferred Mortality Tables For Use in Determining Minimum Reserve, Section 4B of the Valuation of Life Insurance Policies Model Regulation shall apply. That is, the valuation mortality table used for deficiency reserves, but using the unmodified select mortality rates if modified select mortality rates are used in the computation of deficiency reserves.



MaryJo Hudson
Superintendent of Insurance