INSURANCE DEPARTMENT
STATE OF NEW YORK
SECOND AMENDMENT TO REGULATION NO. 147
11 NYCRR 98

VALUATION OF LIFE INSURANCE RESERVES

I, Eric Dinallo, Superintendent of Insurance of the State of New York, pursuant to the authority granted by Sections 201, 301, 1304, 1308, 4217, 4218, 4240 and 4517 of the Insurance Law of the State of New York, do hereby promulgate the following Second Amendment to Part 98 of Title 11 of the Official Compilation of Codes, Rules and Regulations of the State of New York (Regulation No. 147), to take effect upon publication in the State Register, to read as follows:

(New Matter is Underscored; Matter in Brackets is Deleted)

Subdivisions (i) through (r) of Section 98.3 are hereby relettered (j) through (s) and a new subdivision (i) is added to read as follows:

(i) "Insurer" means a life insurance company, fraternal benefit society or an accredited reinsurer that reinsures life insurance, whether within or outside the state, or writes life insurance outside the state.

A new subdivision (w) is added to Section 98.4 to read as follows:

(w)(1) For the purposes of this section, *statistical agent* means an entity with proven systems for protecting the confidentiality of individual insured and insurer information; demonstrated resources for, and history of, ongoing electronic communications and data transfer ensuring data integrity with insurers that are the statistical agent's members or subscribers; and a history of and means for aggregation of data and accurate promulgation of the experience modifications in a timely manner.

(2) (i) This subdivision applies to insurers where the sum of the premiums received as specified in *(a)*, *(b)*, *(c)*, and *(d)* of this paragraph exceed ten million dollars for the previous calendar year:

(a) Direct individual life insurance premiums,

(b) Reinsurance assumed life insurance premiums,

(c) Direct individually solicited group life insurance premiums, and

(d) Reinsurance assumed individually solicited group life insurance premiums.

(ii) Every insurer subject to this subdivision shall annually file on or before July 1 with the superintendent, or at the direction of the superintendent, with either the National Association of Insurance Commissioners or with a statistical agent designated by the superintendent, a statistical report, in a form specified by the superintendent, showing mortality, expenses, lapses, and such other company experience information as the superintendent may deem necessary or expedient for the administration of the provisions of the Insurance Law or this Part, with respect to individual life insurance policies and individually solicited group life insurance certificates issued on or after January 1, 1990.

Section 98.9(c)(2)(ii)*(b)* is amended to read as follows:

(b) Regarding the reserve calculation, this example differs from the one in [section 98.9(c)(1)(i)] subparagraph (i) of this paragraph in that there is no specified event that has to occur in order for the insurer to impose a premium increase; however, the insurer must provide an additional benefit to the policyholder if it exercises this right. Thus the insurer does not have an unrestricted right to impose an increase after ten years. If the contract contains provisions that require additional benefits be provided to the policyholder in the event of a premium increase, even if these benefits are lost if not claimed within a stated time frame, then the initial premiums shall be treated as guaranteed for the entire 30 year period. It would be contrary to the conservative nature of statutory accounting to treat this policy the same as one in which the ability to raise premiums does not require that additional benefits be provided. Therefore, the initial segment for this policy is 30 years.

The opening paragraph of section 98.9(c)(2)(viii) is amended to read as follows:

(viii) When a universal life policy guarantees coverage to remain in force as long as the accumulation of premiums paid satisfies the secondary guarantee requirement, for policies issued on or after January 1, 2003, the steps [outlined] specified in clauses *(a)* [– *(ix)*] through *(i)* of this subparagraph shall be used to calculate the reserves.

Section 98.9(c)(2)(viii)*(b)* is renumbered to be Section 98.9(c)(2)(viii)*(b)(1)*, to read as follows:

(b)(1) For purposes of applying section 98.7(b)(1) of this Part, the specified premiums are the minimum gross premiums derived in clause *(a)* of this subparagraph. Consistent with section 98.5 of this Part, items in clauses *(c)* through *(i)* of this subparagraph shall be calculated on a segmented basis, using the segments that section 98.5 of this Part defines for the product. Therefore, in clauses *(c)* through *(i)* of this subparagraph, the term *fully fund the guarantee* shall mean fully funding the guarantee to the end of each possible segment. The term *remainder of the secondary guarantee period* shall mean the remainder of each possible segment. The reserve shall be no less than the greatest reserve determined by applying the methodology of this subparagraph to the end of each possible segment.

A new section 98.9(c)(2)(viii)*(b)(2)* is added to read as follows:

(2) For policies issued on or after January 1, 2007 and prior to January 1, 2011, for purposes of applying section 98.7(b)(1) of this Part, an insurer may use a lapse rate of no more than two percent per year for the first five years, followed by no more than one percent per year to the policy anniversary specified in the following table based on issue age, and zero percent per year thereafter. If the period of time from the date of policy issuance to the date of the applicable policy anniversary age in the table is less than five years, then an insurer may use a lapse rate of no more than two percent per year for that period of time, and zero percent per year thereafter.

Issue Age	Policy Anniversary after which the lapse rate is zero
0-50	30th policy anniversary

51 - 60	Policy Anniversary age 80
61 – 70	20th policy anniversary
71 - 89	Policy anniversary age 90
90 and over	no lapse

Section 98.9(c)(2)(viii)*(e)* is amended to read as follows:

(e) Compute the net single premium on the valuation date for the coverage provided by the secondary guarantee for the remainder of the secondary guarantee period, using the applicable valuation table and select factors as prescribed in section 98.4(a) of this Part, or Part 100 of this Title (Regulation 179), if applicable. For purposes of calculating the net single premium for policies issued on or after January 1, 2007 and prior to January 1, 2011, a lapse rate subject to the same criteria as the lapse rate used in applying clause *(b)* of this subparagraph may be used.

Section 98.9(c)(2)(viii)*(h)(2)* is amended to read as follows:

(2) Calculate both net premiums using the maximum allowable valuation interest rate and the minimum mortality standards allowable for calculating basic reserves. However, except for policies issued on or after January 1, 2007 through January 1, 2011, if no future premiums are required to support the guarantee period being valued, there is no reduction for surrender charges. If the resulting amount is less than the sum of the basic and deficiency reserve from clause *(b)* of this subparagraph, then the basic and deficiency reserves to be used for the purposes of section 98.7(b)(1)(vi)*(a)* of this Part are those calculated in clause *(b)* of this subparagraph, and no further calculation is required.

A new section 98.9(c)(2)(viii)*(j)* is added as follows:

(j) With respect to any policy issued pursuant to this subparagraph, on or after January 1, 2007 and prior to January 1, 2011, the insurer shall annually submit an actuarial opinion and memorandum on or before March 1, in form and substance satisfactory to the superintendent, which satisfies the requirements of Part 95 of this Title (Regulation 126). Reserves established in accordance with this subparagraph shall be increased by any additional reserves required by the stand-alone asset adequacy analysis.

I, Eric Dinallo, Superintendent of Insurance of the State of New York, do hereby certify that the foregoing is the Second Amendment to Part 98 of Title 11 (Regulation No. 147), promulgated by me on December 7, 2007, pursuant to the authority granted by Sections 201, 301, 1304, 1308, 4217, 4218, 4240 and 4517 of the Insurance Law, to take effect upon publication in the State Register.

Pursuant to the provisions of the State Administrative Procedure, prior notice of the proposed amendment was published in the State Register on October 17, 2007. No other publication or prior notice is required by statute.

Eric Dinallo
Superintendent of Insurance

Date: December 7, 2007