

Actuarial Consulting Newsletter

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Oliver Wyman Actuarial Consulting

Useful Actuarial Resources

By Jim Van Elsen, FSA, MAAA

It's December, and where are your valuation interest rates? What is the current "applicable federal interest rate?" Did the valuation rate for life insurance change? Didn't the NAIC adopt a new GRET table? What are the transition rules for the 2001 CSO? When does the 2001 CSO become the "prevailing commissioners' standard table?" What about for §7702? Below is some information and internet links which you may find useful during this busy time of year.

All links are for reference purposes only. Use these links at your own risk. Please follow the use requirements of the owners of the sites. If you need additional information, please contact us.

Statutory Valuation Interest Rates

Selected rates:

Life insurance, more than 20 years, issue years 2006 – 2008:

Valuation: 4%
Nonforfeiture: 5%

Single premium immediate annuities, issue year 2007: 5½%

Annuities and GICs, with cash settlement options, w/o interest rate guarantees on future considerations, valued on the "Issue Year" basis, with a 5-year or less guarantee duration, issue year 2007:

Type A: 5½%
Type B: 5%
Type C: 4¾%

Source: [New York State Insurance Department website](#). See source for all available rates.

Applicable Federal Interest Rates (AFR).

2006: 3.98%
2007: 3.97%

Source: [Internal Revenue Bulletin 2007-10](#).

H.15 Federal Reserve Statistical Release.

Often used for yield curve in Asset Adequacy Analysis.

Source: [Federal Reserve website](#).

IRC §807. Rules for Certain Reserves.

Copy of §807. Source: [TaxAlmanac.org](#).

IRC §7702. Life Insurance Contract Defined.

Copy of §7702. Source: [TaxAlmanac.org](#).

Transition rules for 2001 CSO.

Generally permits for the use of the 1980 CSO, subject to certain conditions, prior to January 1, 2009. Permits the use of the 2001 CSO if permitted in the state of issue.

Source: [Internal Revenue Bulletin 2006-45, pages 848 – 849, Notice 2006-95](#).

California Letter.

December 5, 2006 letter. 2007 letter to be added when available.

Source: [California Department of Insurance website](#).

New York Letters.

October 31, 2007 letter - special considerations relating to December 31, 2007 reserves and other solvency issues. Includes the following:

Actuarial opinion and memorandum – filing instructions.

Actuarial opinions per §95.7 and §95.8 of regulation 126. Includes prohibition of such terms as: “to the best of my knowledge” and “to the extent practicable”, as well as other guidance.

Actuarial memorandum per §95.9 – separate section for special considerations. Requires that the actuarial memorandum specifically address 14 specific items.

Life risk-based capital analysis. Provides guidance on this analysis.

Market value adjusted (MVA) annuities. Details additional required submissions.

Regulation 128 business. Details additional required submissions for regulation 128 business, including synthetic GICs and VAGLBs. See regulation 128 letter.

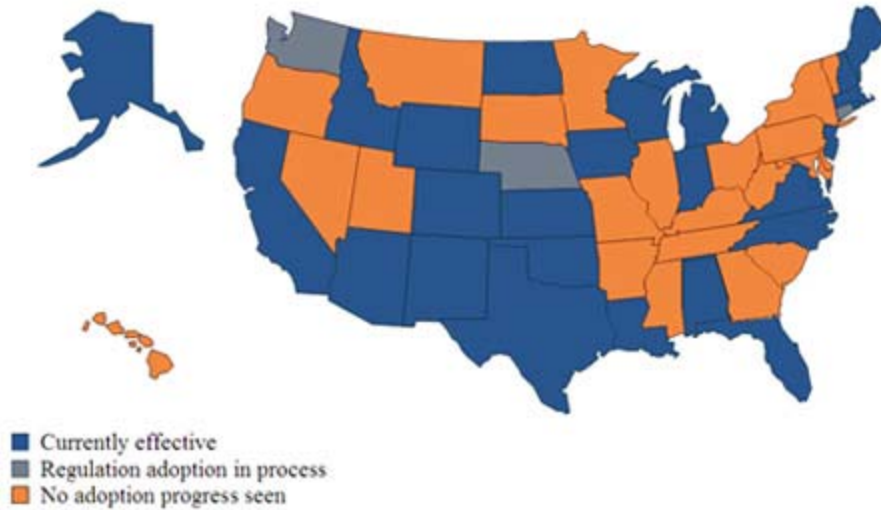
Additional guidance. Contact Mark J. Greene, Supervising Actuary – Life of the New York Insurance Department. mgreene@ins.state.ny.us or (518) 474-6605.

Source: [New York Insurance Department website](#).

October 31, 2007 letter - application of regulation 128 to variable annuities with guaranteed living benefits

Source: [New York Insurance Department website](#).

Actuarial Opinion & Memorandum Regulation (AOMR)

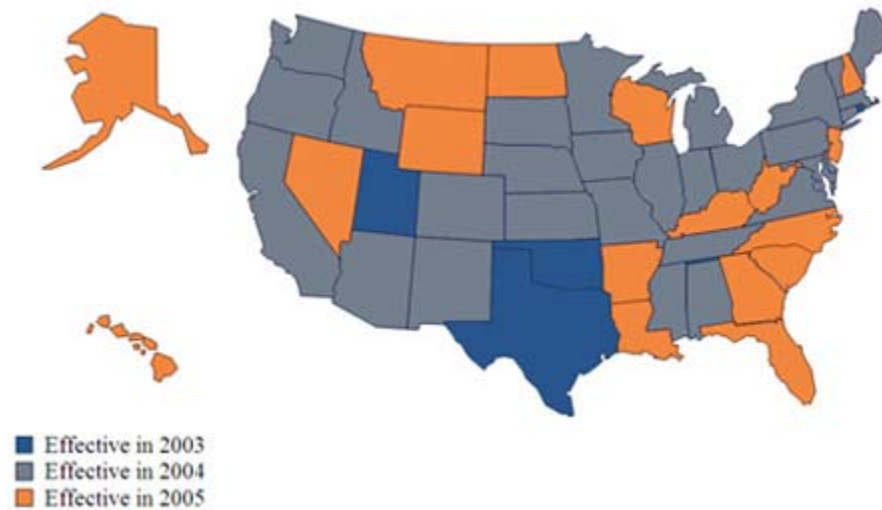


Summary of State Adoptions of AOMR

State	Effective Date	Link
Alabama	January, 1, 2004	Chapter 482-1-112
Alaska	January, 1, 2005	3 AAC 21.800
Arizona	July, 1, 2007	Article 8
Arkansas	-	-
California	January, 1, 2005	Article 17
Colorado	-	Regulation 3-1-3 Regulation 3-1-8
<i>Connecticut</i>	Proposed	38a-78-1
Delaware	-	-
District of Columbia	March 11, 2005 -	(2)
Florida	January 23, 2003	(1)
Georgia	-	-
Hawaii	-	Chapter 169
Idaho	March 30, 2007	18.01.77
Illinois	-	-
Indiana	December 31, 2003	1-57
Iowa	January 1, 2004	(2)
Kansas	June 2, 2005	40-1-44
Kentucky	-	-
Louisiana	November 1, 2005	Regulation 47
Maine	January 1, 2007	Chapter 780
Maryland	-	-
Massachusetts	September 22, 2006	Chapter 132
Michigan	December 1, 2006	R500.991
Minnesota	-	-
Missouri	-	-
Mississippi	-	-
Montana	-	-
<i>Nebraska</i>	-	Chapter 69
Nevada	-	-

New Hampshire	November 24, 2005	(1)
New Jersey	-	(1)
New Mexico	October 1, 2003	13.2.6
<i>New York</i>	-	-
North Carolina	August 1, 2004	11F.0300
North Dakota	March 1, 2004	(1)
Ohio	-	-
Oklahoma	July 14, 2006	Part 17
Oregon	-	-
Pennsylvania	-	-
Rhode Island	September 21, 2004	Regulation 89
South Carolina	-	-
South Dakota	-	-
Tennessee	-	-
Texas	June 20, 2005	Subchapter Q
Utha	-	-
Vermont	-	-
Virginia	December 31, 2003	(1)
<i>Washington</i>	-	Proposed regulation
West Virginia	-	-
Wisconsin	December 31, 2005	Subchapter V
Wyoming	January 19, 2006	Chapter 53

2001 CSO

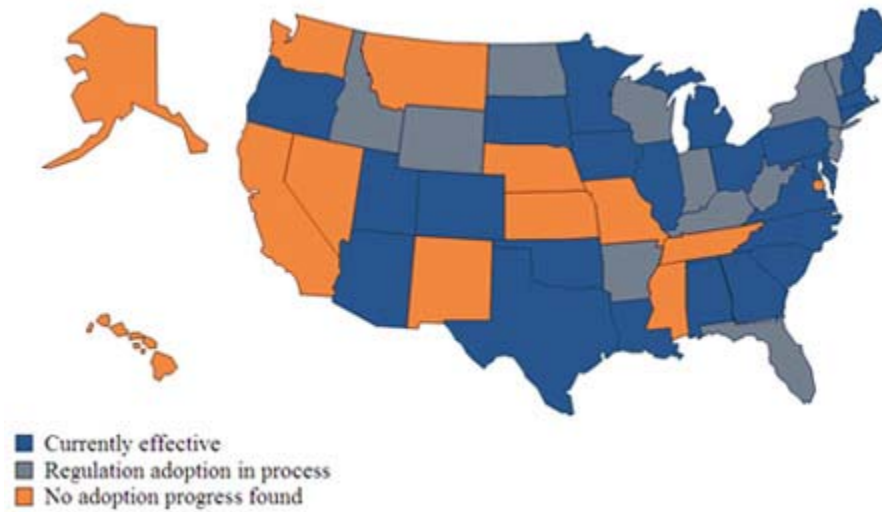


Summary of state adoptions of 2001 CSO

State	Effective Date	Link
Alabama	January 1, 2004	482-1-130
Alaska	January 1, 2005	3 AAC 28
Arizona	January 1, 2004	Bulletin 2003-12
Arkansas	January 1, 2005	Regulation 83
California	January 1, 2004	Bulletin 2003-05

Colorado	February 1, 2004	4-1-10
Connecticut	March 30, 2005	38a-78-26
Delaware	January 1, 2004	Regulation 1213
District of Columbia	January 1, 2004	(2)
Florida	January 1, 2005	690-162.201
Georgia	February 17, 2005	(1)
Hawaii	January 1, 2005	16-171-401
Idaho	January 1, 2004	18.01.59
Illinois	July 1, 2004	Section 1412
Indiana	January 1, 2004	Rule 69
Iowa	January 1, 2004	191-91.1(508)
Kansas	January 1, 2004	40-2-27
Kentucky	January 1, 2005	(1)
Louisiana	January 1, 2005	Regulation 84
Maine	March 27, 2004	Chapter 340
Maryland	January 1, 2004	31.05.03.05
Massachusetts	January 1, 2004	211_57
Michigan	July 1, 2004	500.838
Minnesota	January 1, 2004	Chapter 2748
Missouri	January 1, 2004	400-1.160
Mississippi	August 1, 2004	Regulation 2004-1
Montana	October 1, 2005	(1)
Nebraska	January 1, 2004	Chapter 79
Nevada	January 1, 2005	R113-04
New Hampshire	January 1, 2005	Ins 3507
New Jersey	January 1, 2005	Bulletin 04-26
New Mexico	January 1, 2004	13.9.16
New York	January 1, 2004	Regulation 179
North Carolina	January 1, 2005	11F.06
North Dakota	January 1, 2005	45-04-07.1
Ohio	January 1, 2004	3901-6-11
Oklahoma	January 1, 2003	365:10-21-1
Oregon	January 1, 2004	Reference
Pennsylvania	January 1, 2004	Chapter 84d
Rhode Island	January 1, 2004	Regulation 104
South Carolina	January 1, 2005	69-57.1
South Dakota	January 1, 2004	20:06:08:44
Tennessee	January 1, 2004	Rule 0780-1-52-.04
Texas	January 1, 2003	B-0014-3
Utah	July 1, 2003	R590-223
Vermont	October 8, 2004	Regulation I-2005-01
Virginia	July 1, 2004	14VAC5-321
Washington	January 1, 2004	WAC 284-74-400
West Virginia	May 6, 2005	114-69
Wisconsin	January 1, 2005	Ins 2.81
Wyoming	January 1, 2005	Chapter 58

2001 CSO Preferred Class Mortality Table



Summary of state adoptions of 2001 CSO preferred

State	Effective Date	Link
Alabama	January 1, 2007	482-1-139
Alaska	-	-
Arizona	January 1, 2007	Bulletin 2006-10
Arkansas	-	Proposed Rule
California	-	-
Colorado	January 1, 2007	4-1-13
Connecticut	December 29, 2006	38a-78-31
Delaware	January 1, 2007	Regulation 1215
District of Columbia	-	-
Florida	-	Proposed Regulation
Georgia	January 1, 2007	(1)
Hawaii	-	-
Idaho	-	Proposed Regulation
Illinois	October 16, 2007	Section 1412
Indiana	-	Proposed Rule
Iowa	January 1, 2007	191-94.1(508)
Kansas	-	-
Kentucky	-	Proposed Regulation
Louisiana	January 1, 2007	Regulation 91
Maine	January 1, 2007	Chapter 340
Maryland	January 1, 2007	31.05.03.15
Massachusetts	January 1, 2007	211_58
Michigan	January 1, 2007	500.838a
Minnesota	January 1, 2007	61A.257
Missouri	-	-
Mississippi	-	-
Montana	-	-
Nebraska	-	-

Nevada	-	-
New Hampshire	January 1, 2007	Ins 3508
<i>New Jersey</i>	-	Proposed Regulation
New Mexico	-	-
<i>New York</i>	-	Proposed Regulation
North Carolina	January 1, 2007	11F.0801
<i>North Dakota</i>	-	Proposed Regulation
Ohio	January 1, 2007	3901-6-12
Oklahoma	January 1, 2007	365:10-25-1
Oregon	January 1, 2007	836-031-0800
Pennsylvania	January 1, 2007	Chapter 84d
Rhode Island	January 1, 2007	Regulation 18
South Carolina	January 1, 2007	69-57.2
South Dakota	January 1, 2007	20:06:51
Tennessee	-	-
Texas	January 1, 2007	3.9401
Utha	January 1, 2007	R590-241
<i>Vermont</i>	-	Proposed Regulation
Virginia	January 1, 2007	14VAC5-322
<i>Washington</i>	-	Preproposal
<i>West Virginia</i>	-	Proposed Rule
<i>Wisconsin</i>	-	Proposed Rule
<i>Wyoming</i>	-	Chapter 59

Generally Recognized Expense Table (GRET)

2007 GRET Factors

Distribution	Acquisition per policy	Acquisition per unit	Acquisition % of premium	Maintenance per policy
Branch office	\$62	\$1.10	69%	\$31
Direct marketing	\$130	\$2.30	72%	\$65
Home service	\$64	\$1.15	35%	\$32
Other	\$79	\$1.40	44%	\$40

2008 GRET Factors

Distribution	Acquisition per policy	Acquisition per unit	Acquisition % of premium	Maintenance per policy
Branch office	\$54	\$1.00	60%	\$27
Direct marketing	\$112	\$2.00	62%	\$56
Home service	\$75	\$1.30	41%	\$37
Career General Agency	\$108	\$1.90	60%	\$54
Brokerage	\$83	\$1.50	46%	\$42
PPGA	\$79	\$1.40	44%	\$40
Multiline	\$111	\$2.00	61%	\$56
Other	\$71	\$1.30	39%	\$36

Bio

Jim Van Elsen is a Principal in the Chicago office of Oliver Wyman Actuarial Consulting. He is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, a Certified Public Accountant, and a Fellow of the Life Management Institute. Jim provides a range of actuarial services including product design, development, and pricing, financial analysis, reinsurance, statutory, GAAP and tax reserving.

Jim has served as the small company representative to the American Academy of Actuaries Life Practice Council, has been a member of the Society of Actuaries Smaller Insurance Company Council, and was the founding chairman of the NALC's Actuarial Committee.

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