



**Department of Insurance**

**State of Arizona**

Office of the Director

Telephone: (602) 364-3471

Telecopier: (602) 364-3470

---

**JANICE K. BREWER**

Governor

2910 North 44th Street, Suite 210

Phoenix, Arizona 85018

www.azinsurance.gov

---

**GERMAINE L. MARKS**

Director

---

REGULATORY BULLETIN 2014-06<sup>1</sup>

**TO:** All Licensed Life Insurance Companies

**From:** Germaine L. Marks  
Director

**Date:** September 8, 2014

**RE:** **Individual Annuity or Pure Endowment Contracts: use of 1983 Table "a"; Annuity 2000 Mortality Table and 2012 Individual Annuity Reserving (2012 IAR) Table**

The purpose of this Regulatory Bulletin is to advise interested parties that, effective January 1, 2015, the Director: (1) re-approves the use of the 1983 Table "a"<sup>2</sup> for use as a recognized mortality table; re-approves the use of the Annuity 2000 Mortality Table<sup>3</sup> as a recognized mortality table and (2) newly approves the use of the 2012 Individual Annuity Reserving (2012 IAR) Table<sup>4</sup> for determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after January 1, 2015.

Arizona Revised Statutes ("ARS") § 20-510 specifies the minimum valuation standards for all policies and contracts. For policies that are issued on or after the operative date of ARS § 20-1231.01, insurers may use any individual annuity mortality table that is adopted after 1980 by the NAIC and that the Director approves for use in determining the minimum standard of valuation for those contracts, or any modification of those tables that the Director approves. ARS § 20-510(G)(3).

---

<sup>1</sup>This Substantive Policy Statement is advisory only. A Substantive Policy Statement does not include internal procedural documents that only affect the internal procedures of the Agency, and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona Administrative Procedure Act. If you believe that this Substantive Policy Statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes Section 41-1033 for a review of the Statement.

<sup>2</sup> "1983 Table "a" means that mortality table developed by the Society of Actuaries Committee to Recommend a New Mortality Basis for Individual Annuity Valuation and adopted as a recognized mortality table for annuities in June 1982 by the National Association of Insurance Commissioners ("NAIC"). The Department adopted use of this table by order in 1985 (Order 5876).

<sup>3</sup> "Annuity 2000 Mortality Table" means that mortality table developed by the Society of Actuaries Committee on Life Insurance Research and shown on page 240 of Volume XLVII of the *Transactions of the Society of Actuaries* (1995). The Department adopted the use of this table by bulletin in 1999.

<sup>4</sup> "2012 IAR Table" means that Generational mortality table developed by the Society of Actuaries Committee on Life Insurance Research and containing rates,  $q_x^{2012+n}$ , derived from a combination of the 2012 IAM Period Table and Projection Scale G2, using the methodology stated in Section 5 of NAIC Model Regulation 821. "Generational mortality table" means a mortality table containing a set of mortality rates that decrease for a given age from one year to the next based on a combination of a Period table and a projection scale containing rates of mortality improvement.

### **A. Use of 1983 Table “a”**

Except as provided in the following paragraphs B, C, and D, the 1983 Table “a” is recognized and approved as an individual annuity mortality table for valuation and, at the option of the company, may be used for purposes of determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after January 1, 1979.

### **B. Use of either the 1983 Table “a” or Annuity 2000 Mortality Table**

Except as provided in paragraph C, either the 1983 Table “a” or the Annuity 2000 Mortality Table must be used for determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after September 4, 1985.

### **C. Use of the Annuity 2000 Mortality Table**

Except as provided in paragraph D, the Annuity 2000 Mortality Table shall be used for determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after January 1, 2001.

### **D. Use of the 2012 IAR Table**

Except as provided in paragraph E, the 2012 IAR Mortality Table must be used for determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after January 1, 2015. NAIC Model Regulation 821 describes the methodology for application of the 2012 IAR Mortality Table.

### **E. Use of the 1983 Table “a” for Certain Contracts Issued on or after 2001**

The 1983 Table “a” without projection must be used for determining the minimum standards of valuation for an individual annuity or pure endowment contract issued on or after January 1, 2001, solely when the contract is based on life contingencies and is issued to fund periodic benefits arising from:

1. Settlements of various forms of claims pertaining to court settlements or out of court settlements from tort actions;
2. Settlements involving similar actions such as workers’ compensation claims; or
3. Settlements of long term disability claims where a temporary or life annuity has been used in lieu of continuing disability payments.

Please direct questions regarding this Regulatory Bulletin to Robert Kell, Life and Health Actuary at [rkell@azinsurance.gov](mailto:rkell@azinsurance.gov).