

APPENDIX B

NJ DEPARTMENT OF BANKING AND INSURANCE
TERM LIFE QUESTIONNAIRE

PLEASE PROVIDE PREMIUM RATES FOR A \$100,000 FACE AMOUNT, ANNUAL, RENEWABLE, CONVERTIBLE TERM LIFE POLICY FOR THE SIXTH POLICY YEAR. RATES SHOULD INCLUDE EXPENSE CHARGES AND REFLECT THE EXACT PREMIUM AS PAID BY A CONSUMER. DO NOT LIST RATES PER \$1,000.

(B) QUESTIONNAIRE _____

(C) OTHER, EXPLAIN _____

PLEASE RETURN TO:

OFFICE OF PUBLIC AFFAIRS

NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE

PO BOX 325

TRENTON, NJ 08625-0325

Table with columns: ISSUE AGE, UNDER-WRITING, MALE STANDARD Premium, Dividend, FEMALE STANDARD Premium, Dividend. Rows for ages 25, 35, 45, 50.

PLEASE ANSWER BY USING APPROPRIATE LETTER

(A) MEDICAL EXAM _____

Amended by R.1996 d.4, effective January 2, 1996. See: 27 N.J.R. 3557(a), 28 N.J.R. 165(a). Amended by R.2001 d.7, effective January 2, 2001. See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

APPENDIX C

NJ DEPARTMENT OF BANKING AND INSURANCE
TERM LIFE QUESTIONNAIRE

PLEASE PROVIDE PREMIUM RATES FOR A \$100,000 FACE AMOUNT, ANNUAL, RENEWABLE, CONVERTIBLE TERM LIFE POLICY FOR THE ELEVENTH POLICY YEAR. RATES SHOULD INCLUDE EXPENSE CHARGES AND REFLECT THE EXACT PREMIUM AS PAID BY A CONSUMER. DO NOT LIST RATES PER \$1,000.

NEW JERSEY DEPARTMENT OF BANKING AND INSURANCE

PO BOX 325

TRENTON, NJ 08625-0325

Table with columns: ISSUE AGE, UNDER-WRITING, MALE STANDARD Premium, Dividend, FEMALE STANDARD Premium, Dividend. Rows for ages 25, 35, 45, 50.

Amended by R.1996 d.4, effective January 2, 1996. See: 27 N.J.R. 3557(a), 28 N.J.R. 165(a). Amended by R.2001 d.7, effective January 2, 2001. See: 32 N.J.R. 3546(a), 33 N.J.R. 101(a).

PLEASE ANSWER BY USING APPROPRIATE LETTER

(A) MEDICAL EXAM _____

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PLEASE RETURN TO:

OFFICE OF PUBLIC AFFAIRS

SUBCHAPTER 32. VALUATION OF LIFE INSURANCE POLICIES

11:4-32.1 Purpose and scope

(a) The purpose of this subchapter is to provide:

- 1. Tables of select mortality factors and rules for their use;
2. Rules concerning a minimum standard for the valuation of plans with non-level premiums or benefits; and
3. Rules concerning a minimum standard for the valuation of plans with secondary guarantees.

(b) The method for calculating basic reserves defined in this subchapter will constitute the Commissioners' Reserve Valuation Method for policies to which this subchapter is applicable.

(c) This subchapter shall apply to all life insurance policies, with or without nonforfeiture values, issued on or after January 1, 2000, subject to the following exceptions:

1. This subchapter shall not apply to any individual life insurance policy issued on or after January 1, 2000 if the policy is issued in accordance with and as a result of the exercise of a reentry provision contained in the original life insurance policy of the same or greater face amount, issued before January 1, 2000, that guarantees the premium rates of the new policy. This subchapter also shall not apply to subsequent policies issued as a result of the exercise of such a provision, or a derivation of the provision, in the new policy.

2. This subchapter shall not apply to any universal life policy that meets all the following requirements:

i. The secondary guarantee period, if any, is five years or less;

ii. The specified premium for the secondary guarantee period is not less than the net level reserve premium for the secondary guarantee period based on the 1980 CSO valuation tables as defined at N.J.A.C. 11:4-32.2 and the applicable valuation interest rate; and

iii. The initial surrender charge is not less than 100 percent of the first year annualized specified premium for the secondary guarantee period.

3. This subchapter shall not apply to any variable life insurance policy that provides for life insurance, the amount or duration of which varies according to the investment experience of any separate account or accounts.

4. This subchapter shall not apply to any variable universal life insurance policy that provides for life insurance, the amount or duration of which varies according to the investment experience of any separate account or accounts.

5. This subchapter shall not apply to a group life insurance certificate unless the certificate provides for a stated or implied schedule of maximum gross premiums required in order to continue coverage in force for a period in excess of one year.

6. For policies issued after December 31, 1995 and prior to the operative date of this subchapter, where the methods and assumptions described in this subchapter would produce lower reserves than were previously required, an insurer may, with the approval of the Commissioner, adopt lower reserves, but in no case lower than the reserves calculated in accordance with the methods and assumptions described in this subchapter. The Commissioner shall grant approval when the insurer has provided documentation satisfactory to the Commissioner that the reserves established by the insurer make adequate provision for obligations to policyholders. Such documentation shall be accompanied by an actuarial certification as to the adequacy of the methods and assumptions proposed.

(d) Calculation of the minimum valuation standard for policies with guaranteed non-level gross premiums or guaranteed non-level benefits (other than universal life policies), or both, shall be in accordance with the provisions of N.J.A.C. 11:4-32.4.

(e) Calculation of the minimum valuation standard for flexible premium and fixed premium universal life insurance policies, that contain provisions resulting in the ability of a policyholder to keep a policy in force over a secondary guarantee period, shall be in accordance with the provisions of N.J.A.C. 11:4-32.5.

Administrative correction.
See: 32 N.J.R. 477(a).

11:4-32.2 Definitions

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

“Appointed actuary” means any individual who is appointed or retained in accordance with the requirements set forth at N.J.A.C. 11:1-21A.3(f) to provide the actuarial opinion and memorandum as required by N.J.A.C. 11:4-32.3(b)4i.

“Basic reserves” means reserves calculated in accordance with N.J.S.A. 17B:19-8b.

“Commissioner” means the Commissioner of the Department of Banking and Insurance.

“Contract segmentation method” means the method of dividing the period from issue to mandatory expiration of a policy into successive segments, with the length of each segment being defined as the period from the end of the prior segment (from policy inception, for the first segment) to the end of the latest policy year as determined below. All calculations are made using the 1980 CSO valuation tables as defined in this section, incorporated herein by reference, (or any other valuation mortality table adopted by the NAIC after January 1, 2000 and promulgated by the Commissioner for this purpose), and, if elected, the optional minimum mortality standard for deficiency reserves stipulated at A.C. 11:4-32.3(b).

The length of a particular contract segment shall be set equal to the minimum of the value t for which G_t is greater than R_t (if G_t never exceeds R_t the segment length is deemed to be the number of years from the beginning of the segment to the mandatory expiration date of the policy), where G_t and R_t are defined as follows:

$$G_t = \frac{GP_{x+k+t}}{GP_{x+k+t-1}}$$

where:

- x = original issue age;
- k = the number of years from the date of issue to the beginning of the segment;
- t = 1, 2, . . . ; t is reset to 1 at the beginning of each segment;
- $GP_{x+k+t-1}$ = Guaranteed gross premium per thousand of face amount for year t of the segment, ignoring policy fees only if level for the premium paying period of the policy.
- Q_{x+k+t} = However, R_t may be increased or decreased by
- R_t = $Q_{x+k+t+1}$ one percent in any policy year, at the company's option, but R_t shall not be less than one;

where:

- x , k and t are as defined above, and
- $Q_{x+k+t+q}$ = valuation mortality rate for deficiency reserves in policy year $k+t$ but using the mortality of N.J.A.C. 11:4-32.3(b)2 if N.J.A.C. 11:4-32.3(b)3 is elected for deficiency reserves.

However, if GP_{x+k+t} is greater than 0 and $GP_{x+k+t-1}$ is equal to 0, G_t shall be deemed to be 1000. If GP_{x+k+t} and $GP_{x+k+t-1}$ are both equal to 0, G_t shall be deemed to be 0.

“Deficiency reserves” means the excess, if greater than zero, of:

1. Minimum reserves calculated in accordance with N.J.S.A. 17B:19-8e over
2. Basic reserves.

“Guaranteed gross premiums” means the premiums under a policy of life insurance that are guaranteed and determined at issue.

“Maximum valuation interest rates” means the interest rates defined at N.J.S.A. 17B:19-8a(x) that are to be used in determining the minimum standard for the valuation of life insurance policies.

“NAIC” means the National Association of Insurance Commissioners.

“1980 CSO valuation tables” means the Commissioners’ 1980 Standard Ordinary Mortality Table (1980 CSO Table) without Ten Year Select Mortality Factors, incorporated into the 1980 amendments to the NAIC Standard Valuation Law, and variations of the 1980 CSO Table approved by the NAIC, such as the smoker and nonsmoker versions approved in December 1983.

“Scheduled gross premium” means the smallest illustrated gross premium at issue for other than universal life insurance policies. For universal life insurance policies, scheduled gross premium means the smallest specified premium described at N.J.A.C. 11:4-32.5(a)3, if any, or else the minimum premium described at N.J.A.C. 11:4-32.5(a)4.

“Segmented reserves” means reserves, calculated using segments produced by the contract segmentation method, equal to the present value of all future guaranteed benefits less the present value of all future net premiums to the mandatory expiration of a policy, where the net premiums within each segment are a uniform percentage of the respective guaranteed gross premiums within the segment. The uniform percentage for each segment is such that, at the beginning of the segment, the present value of the net premiums within the segment equals:

1. The present value of the death benefits within the segment, plus
2. The present value of any unusual guaranteed cash value (see N.J.A.C. 11:4-32.4(d)) occurring at the end of the segment, less
3. Any unusual guaranteed cash value occurring at the start of the segment, plus
4. For the first segment only, the excess of item i below over item ii below, as follows:
 - i. A net level annual premium equal to the present value, at the date of issue, of the benefits provided for in the first segment after the first policy year, divided by the present value, at the date of issue, of an annuity of one per year payable on the first and each subsequent anniversary within the first segment on which a premium falls due. However, the net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan of insurance of the same renewal year equivalent level amount at an age one year higher than the age at issue of the policy.
 - ii. A net one year premium for the benefits provided for in the first policy year.

The length of each segment is determined by the “contract segmentation method,” as defined in this section. The interest rates used in the present value calculations for any policy may not exceed the maximum valuation interest rate, determined with a guarantee duration equal to the sum of the lengths of all segments of the policy. For both basic reserves and deficiency reserves computed by the segmented method, present values shall include future benefits and net premiums in the current segment and in all subsequent segments.

“Tabular cost of insurance” means the net single premium at the beginning of a policy year for one year term insurance in the amount of the guaranteed death benefit in that policy year.

“Ten-Year Select Mortality Factors” means the selection factors adopted with the 1980 amendments to the NAIC Standard Valuation Law.

“Unitary reserves” means the present value of all future guaranteed benefits less the present value of all future modified net premiums, where:

1. Guaranteed benefits and modified net premiums are considered to be the mandatory expiration of the policy; and
2. Modified net premiums are a uniform percentage of the respective guaranteed gross premiums, where the uniform percentage is such that, at issue, the present value of the net premiums equals the present value of all death benefits and pure endowments, plus the excess of item i below over item ii below, as follows:

- i. A net level annual premium equal to the present value, at the date of issue, of the benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per year payable on the first and each subsequent anniversary of the policy on which a premium falls due. However, the net level annual premium shall not exceed the net level annual premium on the 19-year premium whole life plan of insurance of the same renewal year equivalent level amount at an age one year higher than the age at issue of the policy.
- ii. A net one year term premium for the benefits provided for in the first policy year.

The interest rates used in the present value calculations for any policy may not exceed the maximum valuation interest rate, determined with a guarantee duration equal to the length from issue to the mandatory expiration of the policy.

“Universal life insurance policy” means any individual life insurance policy under the provisions of which separately identified interest credits (other than in connection with dividend accumulations, premium deposit funds, or other supplementary accounts) and mortality or expense charges are made to the policy.

Administrative correction.
See: 32 N.J.R. 477(a).

11:4-32.3 General calculation requirements for basic reserves and premium deficiency reserves

(a) At the election of the insurer for any one or more specified plans of life insurance, the minimum mortality standard for basic reserves may be calculated using the 1980 CSO valuation tables with select mortality factors (or any other valuation mortality table adopted by the NAIC after January 1, 2000 and promulgated by the Commissioner for this purpose). If select mortality factors are elected, the may be: