



# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor  
Sean Dilweg, Commissioner

Wisconsin.gov

September 17, 2007

**Legal Unit**  
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REPORT ON Section Ins 2.81, Wis. Adm. Code, relating to  
use of the 2001 CSO Preferred Class Structure Mortality  
Table in determining reserve liabilities

**Clearinghouse Rule No. 07-070**  
Submitted Under s. 227.19 (3), Stats.

(The proposed rule-making order is attached.)

**(a) A detailed statement of basis for the proposed rule and how the rule advances relevant statutory goals or purposes:**

This rule will allow insurers, meeting prescribed conditions, to use the 2001 CSO preferred Class Structure Mortality Table as adopted by the National Association of Insurance Commissioners (NAIC), in determining minimum reserves on policies written after January 1, 2007. The table will allow insurers to reflect differences in mortality between preferred and standard lives in establishing reserve liabilities to more precisely fit the characteristics of outstanding policies, and enhance the ability of insurers and the Commissioner of Insurance to monitor financial status. The proposed rule has been recommended by the NAIC and has been, or is in the process of being adopted by a significant number of states.

**(b) Summary of the public comments and the agency's responses to those comments:**

**Comment:**

Northwestern Mutual Life Insurance Company expressed support for all aspects of the proposed rule noting that adoption of the new table will allow insurers to offer products at more accurate and affordable prices to consumers.

**(c) An explanation of any modifications made in proposed rule as a result of public comments or testimony received at a public hearing:**

None.

**(d) Persons who appeared or registered regarding the proposed rule:**

**Appearances for:**

James Lodermeier, 720 E. Wisconsin Ave., Milwaukee WI 53151  
Northwestern Mutual Life Insurance Company

**Appearances against:**

None

**Appearances for information:**

None

**Registrations for:**

Connie O'Connell, 10 E. Doty Street, Suite 621, Madison WI 53703  
Wisconsin Council of Life Insurers

Louis Schubert, 6000 American Parkway, Madison WI 53783  
American Family Insurance Company

**Registrations against:**

None

**Registrations neither for nor against:**

None

**Letters received:**

William C. Koenig, 720 East Wisconsin Ave., Milwaukee WI 53202  
Northwestern Mutual Life Insurance Company

Connie O'Connell, 10 E. Doty Street, Suite 621, Madison WI 53703  
( cosigned by John Bruins, Senior Actuary, American Council of Life Insurers)  
Wisconsin Council of Life Insurers

John P. Gerni, 101 Constitution Ave. NW, Washington DC 20001  
American Council of Life Insurers

**(e) An explanation of any changes made to the plain language analysis of the rule under s. 227.14 (2), Stats., or to any fiscal estimate prepared under s. 227.14 (4), Stats.**

None except to change the words "management and regulators" to "insurers and the commissioner" for clarification as suggested by the Legislative Council.

**(f) The response to the Legislative Council staff recommendations indicating acceptance of the recommendations and a specific reason for rejecting any recommendation:**

All comments were complied with and corrected except the following:

Comment: 5.e. The added language to the definition of “2001 CSO mortality table” is a substantive change, but does not create ambiguity, because the term “2001 CSO preferred class structure mortality table” may not be substituted for the term “2001 CSO mortality table.” The proposed rule separately identifies and defines the “2001 CSO preferred class structure mortality table” as a component of the “2001 CSO mortality table,” which in limited, specified circumstances, may be elected for reserve valuation. The relationship of the terms is understood in the industry.

Comment: 5.f. The proposed rule adopts the NAIC model containing the definition of “statistical agent.” In the interest of uniformity among the states, the proposed definition is retained.

Comment: 5.l. As suggested by the Legislative Council, filing of annual statistical reports need be with one of the three designated alternative entities. OCI will have access and the ability to monitor each entity. No revision is necessary.

**(g) The response to the report prepared by the small business regulatory review board:**

The small business regulatory review board did not prepare a report.

**(h) Final Regulatory Flexibility Analysis**

A Final Regulatory Flexibility Analysis is Not Required because the rule will not have a significant economic impact on a substantial number of small businesses.

**(i) Fiscal Effect**

See fiscal estimate attached to proposed rule.

Attachment: Legislative Council Staff Recommendations