

**WAC 284-74-330 Definitions.** For purposes of this regulation:

(1) "Basic reserves" means reserves calculated in accordance with RCW 48.74.040(1).

(2) "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 subsection (6) of this section (or any other valuation mortality table adopted by the National Association of Insurance Commissioners (NAIC) after the operative date of this regulation and promulgated by regulation by the commissioner for this purpose), and, if elected for the plan, the optional minimum mortality standard for deficiency reserves stipulated in WAC 284-74-340(2).

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 maximum 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.

$$R_t = \frac{q_{x+k+t}}{q_{x+k+t-1}},$$

However,  $R_t$  may be increased or decreased by 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

$q_{x+k+t-1}$  = valuation mortality rate for deficiency reserves in policy year  $k+t$  but using the mortality of WAC 284-74-340 (2)(b) if WAC 284-74-340 (2)(c) 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.

(3) "Deficiency reserves" means the excess, if greater than zero, of

(a) Minimum reserves calculated in accordance with RCW 48.74.070 over

(b) Basic reserves.

(4) "Guaranteed maximum gross premiums" means the premiums guaranteed and determined at issue that the actual gross premiums under a policy of life insurance cannot exceed.

(5) "Maximum valuation interest rates" means the interest rates defined in RCW 48.74.030(3) that are to be used in determining the minimum standard for the valuation of life insurance policies.

(6) "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 model 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.

(7) "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 in WAC 284-74-360 (1)(c), if any, or else the minimum premium described in WAC 284-74-360 (1)(d).

(8)(a) "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 maximum 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:

(i) The present value of the death benefits within the segment, plus

(ii) The present value of any unusual guaranteed cash value (see WAC 284-74-350(4)) occurring at the end of the segment, less

(iii) Any unusual guaranteed cash value occurring at the start of the segment, plus

(iv) For the first segment only, the excess of the item (A) over item (B), as follows:

(A) 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 nineteen-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.

(B) A net one year term premium for the benefits provided for in the first policy year.

(b) The length of each segment is determined by the contract segmentation method, as defined in this section.

(c) 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.

(d) 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.

(9) "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.

(10) "Ten-year select mortality factors" means the select factors adopted with the 1980 amendments to the NAIC standard valuation law.

(11)(a) "Unitary reserves" means the present value of all future guaranteed benefits less the present value of all future modified net premiums, where:

(i) Guaranteed benefits and modified net premiums are considered to the mandatory expiration of the policy; and

(ii) Modified net premiums are a uniform percentage of the respective guaranteed maximum 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 (A) over item (B), as follows:

(A) 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 nineteen-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.

(B) A net one year term premium for the benefits provided for in the first policy year.

(b) 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.

(12) "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.

[Statutory Authority: RCW 48.02.060, 48.74.030, 48.74.040, 48.74.070, and 48.74.080. WSR 00-07-069, § 284-74-330, filed 3/13/00, effective 4/13/00.]