



ADMINISTRATIVE RULES OF MONTANA



6.6.6705 DEFINITIONS

For purposes of ARM 6.6.6701 through 6.6.6713:

- (1) "Basic reserves" means reserves calculated in accordance with 33-2-411, MCA.
- (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 (6) of this rule, (or any other valuation mortality table adopted by the National Association of Insurance Commissioners (NAIC) after January 1, 2000, and promulgated by rule by the commissioner for this purpose) and, if elected, the optional minimum mortality standard for deficiency reserves stipulated in ARM 6.6.6707(2).

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

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.

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

However, R_t may be increased or decreased by one percent in any policy year, at the insurer'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 ARM 6.6.6707(2)(b) if ARM 6.6.6707(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.

(3) "Deficiency reserves" means the excess, if greater than 0, of minimum reserves calculated in accordance with 33-2-412, MCA, over basic reserves.

(4) "Guaranteed gross premiums" means the premiums under a policy of life insurance that are guaranteed and determined at issue.

(5) "Maximum valuation interest rates" means the interest rates defined in 33-2-413, MCA, 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 10-year selection 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.

(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 ARM 6.6.6711(3), if any, or else the minimum premium described in ARM 6.6.6711(4).

(8) "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:

(a) the present value of the death benefits within the segment; plus

(b) the present value of any unusual guaranteed cash value (ARM 6.6.6709(4)) occurring at the end of the segment; less

(c) any unusual guaranteed cash value occurring at the start of the segment; plus

(d) for the first segment only, the excess of (8)(a) over (8)(b), 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 1-year term premium for the benefits provided for in the first policy year;

(e) the length of each segment is determined by the "contract segmentation method," as defined in this rule;

(f) 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;

(g) 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) "10-year select factors" means the select factors adopted with the 1980 amendments to the NAIC Standard Valuation Law.

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

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

(b) 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 (11)(b)(i) over (11)(b)(ii), 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;

(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 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.

Authorizing statute(s): 33-1-313, 33-2-418, MCA

Implementing statute(s): 33-2-407, 33-2-408, 33-2-409, 33-2-410, 33-2-411, 33-2-412, 33-2-413, 33-2-414, 33-2-415, 33-2-416, 33-2-417, MCA

History: NEW, 1999 MAR p. 2839, Eff. 1/1/00; AMD, 2012 MAR p. 304, Eff. 2/10/12; AMD, 2018 MAR p. 826, Eff. 4/28/18; AMD, 2022 MAR p. 1691, Eff. 9/1/22.