**Section 1409.30 Definitions**

"1980 CSO Valuation Tables" means the Commissioner's 1980 Standard Ordinary Mortality Table (1980 CSO Table) without ten-year selection factors, incorporated into the 1980 amendments to the National Association of Insurance Commissioners (NAIC) Standard Valuation Law, and the smoker and nonsmoker variations of the 1980 CSO Table approved by the NAIC in December 1983, as published in the 1984 Proceedings for the NAIC, Vol. 1, p. 31 and approved by the Director for use in determining the minimum standards of valuation pursuant to 50 Ill. Adm. Code 934. No later amendments or editions shall be included.

"2001 CSO Mortality Table" means that mortality table, consisting of separate rates of mortality for male and female lives found in 50 Ill. Adm. Code 1412.Appendix A, developed by the American Academy of Actuaries CSO Task Force from the Valuation Basic Mortality Table developed by the Society of Actuaries Individual Life Insurance Valuation Mortality Task Force, and adopted by the NAIC in December 2002. Unless the context indicates otherwise, the 2001 CSO Mortality Table includes both the ultimate form of that table and the select and ultimate form of that table and includes both the smoker and nonsmoker mortality tables and the composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality tables.

"2001 CSO Preferred Class Structure Mortality Table" means mortality tables with separate rates of mortality for Super Preferred Nonsmokers, Preferred Nonsmokers, Residual Standard Nonsmokers, Preferred Smokers, and Residual Standard Smoker splits of the 2001 CSO Nonsmoker and Smoker approved by the NAIC in September 2006, as published in the 2006 Proceedings for the NAIC (3rd Quarter), Vol. III, p. 2219 and approved by the Director for use pursuant to 50 Ill. Adm. Code 1413. Unless the context indicates otherwise, the 2001 CSO Preferred Class Structure Mortality Table includes both the ultimate form of that table and the select and ultimate form of that table. It includes both the smoker and nonsmoker mortality tables. It includes both the male and female mortality tables and the gender composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality table.

"Basic Reserves" mean reserves calculated in accordance with Section 223(3)(b) of the Code.

"Code" means the Illinois Insurance Code [215 ILCS 5].

"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 in the procedure set forth below in this definition. All calculations are made using the 1980 CSO valuation tables, and if elected, the optional minimum mortality standard for deficiency reserves found in Section 1409.40(b).

The length of a particular contract segment shall be set equal to the minimum of the value t for which Gt is greater than Rt (if Gt never exceeds Rt 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 Gt and Rt are defined as follows:



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| However, Rt may be increased or decreased by one percent in any policy year, at the company's option, but Rt shall not be less than one |
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where:

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| --- | --- | --- |
| 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 l at the beginning of each segment |
| GPx+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, for year t of the segment |
| qx+k+t-1 | = | Valuation mortality rate for deficiency reserves in policy year k+t but using the select mortality factors found in Section 1409.40(b)(3) if Section 1409.40(b)(4) is elected for deficiency reserves |
|  |  | However, if GPx+k+t is greater than 0 and GPx+k+t-l is equal to 0, Gt shall be deemed to be 1000. If GPx+k+t and GPx+k+t-l are both equal to 0, Gt shall be deemed to be 0 |

"Deficiency Reserves" mean the excess, if greater than zero, of:

Minimum reserves calculated in accordance with Section 223(3)(f) of the Code, over

Basic reserves.

"Guaranteed Gross Premiums" mean the premiums under a policy of life insurance that are guaranteed and determined at issue.

"Maximum Valuation Interest Rates" mean the interest rates defined in Section 223(6)(b) of the Code that are to be used in determining the minimum standard for the valuation of life insurance policies.

"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 Section 1409.60(a)(3), if any, or else the minimum premium described in Section 1409.60(a)(4).

"Segmented Reserves" mean 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:

The present value of the death benefits within the segment, plus

The present value of any unusual guaranteed cash value (Section 1409.50(d)) occurring at the end of the segment, less

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

For the first segment only as measured from the actual issue date, the excess of the net level annual premium (which is 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) over the net one year term premium for the benefits provided for in the first policy year. 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.

The length of each segment is determined by the Contract Segmentation Method.

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 must 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 Factors" mean the select factors adopted in the 1980 amendments to the NAIC Standard Valuation Law.

"Unitary Reserves" mean the present value of all future guaranteed benefits less the present value of all future modified net premiums, where:

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

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 the 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, over the net one year term premium for the benefits provided for in the first policy year. 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; and

Any negative terminal reserves are set to zero.

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.

(Source: Amended at 42 Ill. Reg. 14225, effective July 12, 2018)