

APPENDIX A. SPECIFIC STANDARDS FOR MORBIDITY, INTEREST  
AND MORTALITY

I. MORBIDITY

A. Minimum morbidity standards for valuation of specified individual  
contract disability insurance benefits are as follows:

(1) Disability Income Benefits Due to Accident or Sickness.

(a) Contract Reserves:

Contracts issued on or after January 1, 1965 and prior  
to January 1, 1992:

The 1964 Commissioners Disability Table (64  
CDT).

Contracts issued on or after January 1, 1999:

The 1985 Commissioners Individual Disability  
Tables A (85CIDA); or

The 1985 Commissioners Individual Disability  
Tables B (85CIDB).

Contracts issued during 1992-1998:

Optional use of either the 1964 Table or the  
1985 Tables.

Each insurer shall elect, with respect to all individual  
contracts issued in any one statement year, whether it  
will use Tables A or Tables B as the minimum  
standard. The insurer may, however, elect to use the  
other tables with respect to any subsequent statement  
year.

(b) Claim Reserves:

The minimum morbidity standard in effect for contract  
reserves on currently issued contracts, as of the date  
the claim is incurred.

(2) Hospital Benefits, Surgical Benefits and Maternity Benefits (Scheduled benefits or fixed time period benefits only).

(a) Contract Reserves:

Contracts issued on or after January 1, 1955, and before January 1, 1982:

The 1956 Intercompany Hospital-Surgical Tables.

Contracts issued on or after January 1, 1982:

The 1974 Medical Expense Tables, Table A, Transactions of the Society of Actuaries, Volume XXX, pg. 63. Refer to the paper (in the same volume, pg. 9) to which this table is appended, including its discussions, for methods of adjustment for benefits not directly valued in Table A: "Development of the 1974 Medical Expense Benefits," Houghton and Wolf.

(b) Claim Reserves:

No specific standard. See (5) below.

(3) Cancer Expense Benefits (Scheduled benefits or fixed time period benefits only).

(a) Contract Reserves:

Contracts issued on or after January 1, 1986: The 1985 NAIC cancer Claim Cost Tables.

(b) Claim Reserves:

No specific standard. See (5) below.

(4) Accidental Death Benefits.

(a) Contract Reserves:

Contracts issued on or after January 1, 1965: the

1959 Accidental Death Benefits Table.

(b) Claim Reserves:

Actual amount incurred.

(5) Other Individual Contract Benefits.

(a) Contract Reserves:

For all other individual contract benefits, morbidity assumptions are to be determined as provided in the reserve standards.

(b) Claim Reserves:

For all benefits other than disability, claim reserves are to be determined as provided in the standards.

B. Minimum morbidity standards for valuation of specified group contract disability insurance benefits are as follows:

(1) Disability Income Benefits Due to Accident or Sickness.

(a) Contract Reserves:

Contracts issued prior to January 1, 1997:  
The same basis, if any, as that employed by the insurer as of January 1, 1997.

Contracts issued on or after January 1, 1999:  
The 1987 Commissioners Group Disability Income Table (87CGDT).

Contracts issued during 1997-1998:  
Optional use of either the 87CGDT or the prior basis.

(b) Claim Reserves:

For claims incurred on or after January 1, 1999:  
The 1987 Commissioners Group Disability Income Table (87CGDT);

For claims incurred prior to January 1, 1999:  
Use of the 87CGDT is optional.

(2) Other Group Contract Benefits.

(a) Contract Reserves:

For all other group contract benefits, morbidity assumptions are to be determined as provided in the reserve standards.

(b) Claims Reserves:

For all benefits other than disability income, claim reserves are to be determined as provided in the standards.

## II. INTEREST

- A. For contract reserves the maximum interest rate is the maximum rate permitted by Arkansas law in the valuation of whole life insurance issued on the same date as the disability insurance contract.
- B. For claim reserves on policies that require contract reserves, the maximum interest rate is the maximum rate permitted by Arkansas law in the valuation of whole life insurance issued on the same date as the claim incurral date.
- C. For claim reserves on policies not requiring contract reserves, the maximum interest rate is the maximum rate permitted by Arkansas law in the valuation of single premium immediate annuities issued on the same date as the claim incurral date, reduced by one hundred basis points.

## III. Mortality

- A. Unless Subsection B applies, the mortality basis used for all policies except long-term care individual policies and group certificates and for long-term care individual policies or group certificates issued before January 1, 1999, shall be according to a table (but without use of selection factors) permitted by law for the valuation of whole life insurance issued on the same date as the disability insurance contract. For long-term care insurance

individual policies or group certificates issued on or after January 1, 1999, the mortality basis used shall be the 1983 Group Annuity Mortality Table without projection.

- B. Other mortality tables adopted by the NAIC and promulgated by the Commissioner may be used in the calculation of the minimum reserves if appropriate for the type of benefits and if approved by the Commissioner. The request for approval shall include the proposed mortality table and the reason that the standard specified in Subsection A is inappropriate.