

STATE OF NORTH DAKOTA

BEFORE THE INSURANCE COMMISSIONER

In the Matter of the Promulgation	)	REGULATORY ANALYSIS, SMALL
of Proposed Rules Regarding:	)	ENTITY ECONOMIC IMPACT
Annuity Tables	)	STATEMENT AND SMALL ENTITY
	)	REGULATORY ANALYSIS
	)	
	)	FILE NO. RU-15-641

**I. REGULATORY ANALYSIS**

The North Dakota Insurance Department issues this regulatory analysis as required by N.D.C.C. § 28-32-08. An agency must issue a regulatory analysis if a written request for an analysis is filed by the Governor or a member of the Legislative Assembly or a proposed rule being adopted by the agency is expected to have an impact on the regulated community in excess of \$50,000. *Id.*

The proposed rule may have an impact on the regulated community in excess of \$50,000. The reason for the new rule is to make new mortality tables available, that the insurance industry is currently moving towards, for use by insurance companies.

**A. Classes of Persons Who Probably Will be Affected by the Proposed Rule**

The classes of persons who may be affected by the proposed new rule are insurance companies choosing to issue annuities and pure endowment life insurance policies.

**B. Description of the Probable Impact Including the Economic Impact of the Proposed Rule**

The probable impact, including economic impact, to insurance companies is the requirement to hold higher reserves due to actual mortality improving.

The purpose of the rule is to right-size reserves by requiring insurance companies to adjust reserves upward in accordance with the new mortality tables that reflect consumers living longer lives. The total dollar impact on the regulated insurers is dependent on the amount of business sold by the insurance companies.

**C. Probable Costs to the Agency of Implementation and Enforcement of the Proposed Rule and Any Anticipated Effect on State Revenues**

The probable cost to the agency of implementation and enforcement is expected to be none to minimal on the Department's operations and expenditures. The Department currently reviews all insurers' policy forms and rates and will continue to do so under the proposed rule. The impact on state revenue is expected to be none to minimal. The Department receives its revenue through premium taxes and filing fees.

**D. Description of Any Alternative Methods for Achieving the Purpose of the Proposed Rule That Were Seriously Considered by the Agency and the Reasons Why the Methods Were Rejected in Favor of the Proposed Rule**

The Department considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule. The Department did not identify any alternative method of achieving the purpose which would have been as effective and less intrusive or costly. This rule change is consistent with the recent history of consumers living longer lives and the movement of the insurance industry.

**II. SMALL ENTITY ANALYSES**

N.D.C.C. § 28-32-08.1 requires that an agency prepare a regulatory analysis and an economic impact statement of the impact of the rule changes on a small entity. “Small entity” is defined by state law to include small businesses, small organizations, and small political subdivisions. *Id.* “Small business” is defined to mean a business entity, including its affiliates which is independently owned and operated and employs fewer than 25 full-time employees; or has gross annual sales of less than \$2,500,000. *Id.* “Small organization” means any not-for-profit enterprise that is independently owned and operated and is not dominant in its field. *Id.* “Small political subdivision” means a political subdivision with a population of less than 5,000. *Id.*

**A. Small Entity Economic Impact Statement**

1. Small entities subject to the proposed rule

The small entities that may be subject to the proposed rule are insurance companies which meet the statutory definition of “small entity.”

2. Administrative and other costs required for compliance with the proposed rule

The administrative impact on small entities is expected to be minimal. Small entities will need to hold higher reserves for included types of insurance policies.

3. Probable cost and benefit to private persons and consumers who are affected by the proposed rule

There is no expected direct cost to consumers or private persons.

4. Probable effect of the proposed rule on state revenues

The probable effect of the proposed rule on state revenues is minimal to nonexistent.

5. Any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule

The Commissioner considered whether there are any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule. The purpose of the rule

is to right size insurance company reserves. This rule change is consistent with the recent history of consumers living longer lives and the movement of the insurance industry.

**B. Small Entity Regulatory Analysis**

1. Establishment of less stringent compliance or reporting requirements for small entities

There are no reporting or compliance requirements found in the proposed rule, therefore, less stringent requirements for small entities are not appropriate. This rule will only impact future policies sold of the type included.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities

There are no deadlines for compliance or reporting requirements in proposed rule, therefore, less stringent requirements for small entities are not appropriate. This rule will only impact future policies sold of the type included.

3. Consolidation or simplification of compliance or reporting requirements for small entities

There are no compliance and reporting requirements in the proposed rule. The rule only impacts future policies sold of the type of insurance included.

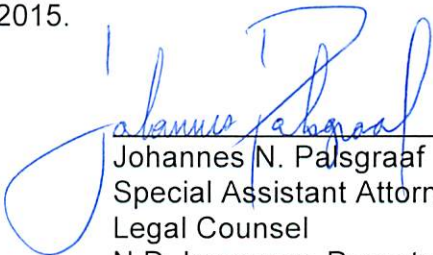
4. Establishment of performance standards for small entities to replace design or operational standards required in proposed rule

There are no performance standards in the proposed rule. The proposed rule will only impact future policies sold of the type included.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rule

There are no exceptions for small entities in the proposed rule. The proposed rule will only impact future policies sold of the type included.

DATED this 17 day of March, 2015.

  
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Johannes N. Palsgraaf  
Special Assistant Attorney General  
Legal Counsel  
N.D. Insurance Department  
600 East Boulevard Avenue, Dept. 401  
Bismarck, ND 58505  
(701) 328-2440