2017 CSO Transition: Update and Guidelines

The National Association of Insurance Commissioners (NAIC) has adopted the 2017 Commissioners’ Standard Ordinary (2017 CSO) Mortality Tables. As of January 1, 2020, all life insurance policies are required to use the updated 2017 CSO Mortality Tables.

American General Life Insurance Company (AGL) and The United States Life Insurance Company in the City of New York (USL) are well into the process of updating the mortality tables used in connection with the life insurance policies sold by the Company. AGL and USL plan to have all life insurance products transitioned to the 2017 CSO by November 1, 2019.

At the end of the year, some conditions will apply to the issuance of policies for products based on the previous mortality tables (2001 CSO). While this should only be a small fraction of pending cases at the end of the year, we want to make you aware of these conditions to help you prepare for this change.

To issue a 2001 CSO-compliant product (Term, Whole Life, Universal Life, Index Universal Life, or Variable Universal Life) still offered when applied for and pending sale as of 12/31/2019, the following conditions must be met:

Transition Rules

- Applications for 2001 CSO products must be received at the AIG Home Office by 11/1/2019 or the date noted in the individual product transition rules (whichever is earlier).
- The issue date (defined as the date when the policy is in force) on 2001 CSO products must be no later than 12/31/2019.
- 2001 CSO policies may be backdated within the first 31 days of 2020 with an issue date of 12/31/2019 or earlier. Note: Additional premiums will be required to pay the policy current when policy is backdated.
- Funding for 1035 exchanges must be received from the transferring carrier no later than our year-end cutoff date for all 1035 exchange funding, which is generally 5 business days before the calendar year-end date of 12/31/2019. If funds from the transferring carrier are received after the cutoff date, a 2017 CSO-compliant product will be offered.
- Applications for 2001 CSO policies that are pending issuance after 11/1/2019 will require a signed Disclosure and Acknowledgment form that the client is aware of these conditions (11/1 date subject to change).
- Effective 11/1/2019, only 2017 CSO product applications will be accepted.

If you have questions, please reach out to your AIG representative or Producer Contact Center.

See the next page for Frequently Asked Questions
Q: Why are AGL and USL products changing to the 2017 CSO Mortality Tables?
A: Mortality rates are dynamic by nature but have been more so in recent years in response to medical advancements, technology, improving lifestyle trends, and more. Therefore, updating the CSO table periodically has become essential. The 2017 Commissioners’ Standard Ordinary mortality and morbidity tables (2017 CSO tables) are prescribed by the NAIC and became the prevailing commissioners’ standard tables during calendar year 2015. All states have adopted the 2017 CSO tables. As a result the predecessor tables, the 2001 CSO tables, may continue to be used for insurance contracts issued in 2019, but use of the 2017 CSO tables is mandatory under both state law and federal tax law for contracts issued in 2020 and later.

Q: How is the 2017 CSO Table different from the 2001 CSO?
A: The structure of the new 2017 CSO Table is very similar to the 2001 CSO Table, in terms of base tables. However, generally speaking, mortality rates under the 2017 CSO Table are lower. This reflects a continuation of general population and insured lives historical mortality improvement. The 2017 CSO is a significant improvement over the 2001 CSO when it comes to the amount of underlying data available and the segmentation of tables. More data is available on smoker/non-smoker basis, as well as on business issued at older ages, substandard business, and business issued using a preferred underwriting basis. Also, more than double the number of insurance companies provided experience data for the 2017 CSO than for the 2001 CSO.

What affect do the 2017 CSO tables have on policies?
A: All products must be refiled with implementation of the 2017 CSO tables. The change affects the guaranteed mortality rates, surrender charges, reserves, and current COIs in the products. In most products and case designs, this has little impact. On a product like the Max Accumulator+, which typically involves a maximum premium/minimum face amount design, the implementation of 2017 CSO will require more death benefit and, in the absence of other pricing/design changes, would produce lower cash values. In products/case designs aimed at low cost death benefits, 2017 CSO is virtually transparent.