

Economic Impact Statement

LSA Document #08-613

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

The proposed rule addresses reserves to be held by insurance companies writing preneed life insurance policies. A recent study by the Society of Actuaries revealed that the 2001 CSO Mortality Table produces inadequate reserves for policies issued in support of a prearrangement agreement that provides services and merchandise at the time of an insured's death. The proposed rule allows the continued use of the 1980 CSO Mortality Table, thereby avoiding an inadequate reserving problem caused by the mandatory use of the 2001 CSO Mortality Table. The proposed rule is based upon the model regulation developed by the Life and Health Actuarial Task Force and adopted by the National Association of Insurance Commissioners in early 2008. The rule will impact life insurance companies. There are 37 Indiana domestic life insurance companies. Most do not qualify as small businesses. At the most, three of these companies may be small businesses.

Estimated Average Annual Administrative Costs That Small Businesses Will Incur:

There are no regulatory costs associated with this proposed rule.

Estimated Total Annual Economic Impact on Small Businesses:

The overall impact of this rule is positive to life insurance companies, as it promotes the financial solvency of these companies by increasing the reserve requirements for preneed life insurance policies. The rule also keeps equitable the current tax treatment of these necessary reserves.

Regulatory Flexibility Analysis of Alternative Methods:

The department determined that adoption of the model standards issued by the National Association of Insurance Commissioners would be the most efficient for the marketplace. The standards are uniform so that there is no additional cost for doing business in Indiana.

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