

**Proposed Rule**  
LSA Document #08-613

DIGEST

Adds [760 IAC 1-76](#) to establish minimum mortality standards for reserves and nonforfeiture values for preneed insurance products by allowing companies that have not implemented the 2001 CSO Mortality Tables (2001 CSO) to continue to use the Commissioners' 1980 Standard Ordinary Life Valuation Mortality Tables (1980 CSO) and allowing those companies that have implemented the 2001 CSO a transition period to return to the 1980 CSO. Effective 30 days after filing with the Publisher.

[IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses](#)

[760 IAC 1-76](#)

SECTION 1. [760 IAC 1-76](#) IS ADDED TO READ AS FOLLOWS:

**Rule 76. Preneed Life Insurance Minimum Standards for Determining Reserve Liabilities and Nonforfeiture Values**

[760 IAC 1-76-1](#) Definitions

Authority: [IC 27-1-3-7](#)

Affected: [IC 27-1-12-10](#); [IC 30-2-13-8](#)

Sec. 1. The following definitions apply throughout this rule:

(1) "2001 CSO Mortality Table" means that mortality table, consisting of separate rates of mortality for male and female lives, 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. The 2001 CSO Mortality Table is included in the Proceedings of the NAIC (2nd Quarter 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.

(2) "Preneed insurance" means any life insurance policy or certificate that is issued in combination with, in support of, with an assignment to, or as a guarantee for a prearrangement agreement for services or merchandise as defined in [IC 30-2-13-8](#), to be provided at the time of and immediately following the death of the insured. The status of the policy or contract as preneed insurance is determined at the time of issue in accordance with the policy form filing.

(3) "Ultimate 1980 CSO" means the Commissioners' 1980 Standard Ordinary Life Valuation Mortality Tables (1980 CSO) without ten-year (10-year) selection factors, incorporated into the 1980 amendments to the NAIC Standard Valuation Law approved in December 1983.

(Department of Insurance; [760 IAC 1-76-1](#))

[760 IAC 1-76-2](#) 2001 minimum valuation mortality standards

Authority: [IC 27-1-3-7](#)

Affected: [IC 27-1-12-10](#)

Sec. 2. For preneed insurance contracts, as defined in section 1 of this rule, and similar policies and contracts, the minimum mortality standard for determining reserve liabilities and nonforfeiture values for both male and female insureds shall be the Ultimate 1980 CSO.

(Department of Insurance; [760 IAC 1-76-2](#))

### **[760 IAC 1-76-3](#) Minimum valuation interest rate standards**

Authority: [IC 27-1-3-7](#)

Affected: [IC 27-1-12-7](#); [IC 27-1-12-10](#)

Sec. 3. (a) The interest rates used in determining the minimum standard for valuation of preneed insurance shall be the calendar year statutory valuation interest rates as set forth in [IC 27-1-12-10](#).

(b) The interest rates used in determining the minimum standard for nonforfeiture values for preneed insurance shall be the calendar year statutory nonforfeiture interest rates as set forth in [IC 27-1-12-7](#).

(Department of Insurance; [760 IAC 1-76-3](#))

### **[760 IAC 1-76-4](#) Minimum valuation method standards**

Authority: [IC 27-1-3-7](#)

Affected: [IC 27-1-12-7](#); [IC 27-1-12-10](#)

Sec. 4. (a) The method used in determining the standard for the minimum valuation of reserves of preneed insurance shall be the method set forth in [IC 27-1-12-10](#).

(b) The method used in determining the standard for the minimum nonforfeiture values for preneed insurance shall be the method set forth in [IC 27-1-12-7](#).

(Department of Insurance; [760 IAC 1-76-4](#))

### **[760 IAC 1-76-5](#) Transition rules**

Authority: [IC 27-1-3-7](#)

Affected: [IC 27-1-12-10](#)

Sec. 5. (a) For preneed insurance policies issued on or after the effective date of this rule and before January 1, 2012, the 2001 CSO Mortality Table may be used as the minimum standard for reserves and minimum standard for nonforfeiture benefits for both male and female insureds.

(b) If an insurer elects to use the 2001 CSO Mortality Table as a minimum standard for any policy issued on or after the effective date of this regulation and before January 1, 2012, the insurer shall provide, as a part of the actuarial opinion memorandum submitted in support of the company's asset adequacy testing, an annual written notification to the domiciliary commissioner. The notification shall include the following:

- (1) A complete list of all preneed policy forms that use the 2001 CSO Mortality Table as a minimum standard.
- (2) A certification signed by the appointed actuary stating that the reserve methodology employed by the company in determining reserves for the preneed policies issued after the effective date and using the 2001 CSO Mortality Table as a minimum standard, develops adequate reserves. For the purposes of this certification, the preneed insurance policies using the 2001 CSO Mortality Table as a minimum standard cannot be aggregated with any other policies.
- (3) Supporting information regarding the adequacy of reserves for preneed insurance policies issued after the effective date of this regulation and using the 2001 CSO Mortality Table as a minimum standard for reserves.

(c) Preneed insurance policies issued on or after January 1, 2012, must use the Ultimate 1980 CSO in the calculation of minimum nonforfeiture values and minimum reserves.

(Department of Insurance; [760 IAC 1-76-5](#))

**[760 IAC 1-76-6](#) Effective date**

Authority: [IC 27-1-3-7](#)

Affected: [IC 27-1-12-10](#)

**Sec. 6. This rule is applicable to preneed insurance policies and certificates and similar contracts and certificates, as specified in section 1 of this rule, issued on or after January 1, 2009.**

*(Department of Insurance; [760 IAC 1-76-6](#))*

**[760 IAC 1-76-7](#) Severability**

Authority: [IC 27-1-3-7](#)

Affected: [IC 27-1-12-10](#)

**Sec. 7. If:**

**(1) any section or portion of a section of this rule; or**

**(2) its applicability to any person or circumstance;**

**is held invalid by a court, the remainder of the rule or the applicability of the provision to other persons or circumstances shall not be affected.**

*(Department of Insurance; [760 IAC 1-76-7](#))*

**[Notice of Public Hearing](#)**

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