

# **Legislative Regulation Review Committee**

2009-010

Insurance Department

**PRENEED LIFE INSURANCE MINIMUM  
STANDARDS**

STATE OF CONNECTICUT  
**REGULATION**  
OF

**IMPORTANT:** Read Instructions on bottom of Certification Page before completing this Form. Failure to comply with instructions may cause disapproval of proposed Regulations.

NAME OF AGENCY

INSURANCE DEPARTMENT

Concerning

SUBJECT MATTER OF REGULATION

**PRENEED LIFE INSURANCE MINIMUM STANDARDS FOR DETERMINING RESERVE LIABILITIES  
& NONFORFEITURE VALUES MODEL REGULATION**

**Section 1.** The Regulations of Connecticut State Agencies are amended by adding sections 38a-78-36 to 38a-78-44, inclusive, as follows:

**(NEW) Sec. 38a-78-36. Authority**

This regulation is promulgated by the commissioner of insurance pursuant to section 38a-78 of the Connecticut General Statutes.

**(NEW) Sec. 38a-78-37. Scope**

This section applies to preneed insurance contracts, as defined in section 38a-78-39 of the Regulations of the Connecticut State agencies, and to similar policies and certificates.

**(NEW) Sec. 38a-78-38. Purpose**

The purpose of this regulation is to establish for preneed insurance products minimum mortality standards for reserves and nonforfeiture values, and to require the use of the 1980 Commissioners Standard Ordinary (CSO) Life Valuation Mortality Table for use in determining the minimum standard of valuation of reserves and the minimum standard nonforfeiture values for preneed insurance products.

**(NEW) Sec. 38a-78-39. Definitions**

As used in Sections 38a-78-36 to 38a-78-44 inclusive:

(a) The term "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.

(b) The term "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.

(c) For the purposes of this regulation, preneed insurance is 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 goods and services to be provided at the time of and immediately following the death of the insured. Goods and services may include, but are not limited to embalming, cremation, body preparation, viewing or visitation, coffin or urn, memorial stone, and transportation of the deceased. The status of the policy or contract as preneed insurance is determined at the time of issue in accordance with the policy form filing.

**(NEW) Sec. 38a-78-40. Minimum Valuation Mortality Standards**

For preneed insurance contracts, as defined in section 38a-78-39 of the Regulations of the Connecticut State Agencies, 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.

**(NEW) Sec. 38a-78-41. Minimum Valuation Interest Rate Standards**

(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 defined in section 38a-78 of the Connecticut General Statutes.

(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 defined in section 38a-78 of the Connecticut General Statutes.

STATE OF CONNECTICUT  
**REGULATION**  
OF

NAME OF AGENCY

INSURANCE DEPARTMENT

Concerning

SUBJECT MATTER OF REGULATION

**(NEW) Sec. 38a-78-42. Minimum Valuation Method Standards**

- (a) The method used in determining the standard for the minimum valuation of reserves of preneed insurance shall be the method defined in section 38a-78 of the Connecticut General Statutes.
- (b) The method used in determining the standard for the minimum nonforfeiture values for preneed insurance shall be the method defined in section 38a-78 of the Connecticut General Statutes.

**(NEW) Sec. 38a-78-43. Transition Rules**

- (a) For preneed insurance policies issued on or after the effective date of this regulation and before January 1, 2012, the 2001 CSO may be used as the minimum standard for reserves and minimum standard for non-forfeiture benefits for both male and female insureds.
- (b) If an insurer elects to use the 2001 CSO 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:
- (1) A complete list of all preneed policy forms that use the 2001 CSO 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 as a minimum standard, develops adequate reserves (For the purposes of this certification, the preneed insurance policies using the 2001 CSO as a minimum standard cannot be aggregated with any other policies.); and
  - (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 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.

**(NEW) Sec. 38a-78-44. Effective Date**

This rule is applicable to preneed insurance policies and certificates and similar contracts and certificates, as specified in 38a-78-37 of the Regulations of Connecticut State Agencies, issued on or after January 1, 2009.

**Statement of Purpose:** To establish for preneed insurance products minimum mortality standards for reserves and nonforfeiture values, and to require the use of the 1980 Commissioners Standard Ordinary (CSO) Life Valuation Mortality Table for use in determining the minimum standard of valuation of reserves and the minimum standard nonforfeiture values for preneed insurance products.

**A. The problems, issues or circumstances that the regulation proposes to address.**

Conversion to the 2001 CSO Mortality Table is mandatory for policies issued after January 1, 2009. A study of mortality experience for preneed policies determined that the 2001 CSO Mortality Table produced inadequate reserves for policies issued in support of a prearrangement agreement which produces goods and services at the time of the insured's death. The 1980 CSO Mortality Table was determined to produce adequate reserves for these policies and contracts.

**B. A summary of the main provisions of the regulation.**

The purpose of sections 38a-78-36 to 38a-78-44 is to allow the use of the 1980 CSO Mortality Table as the minimum mortality standard for reserves and nonforfeiture values for preneed insurance products. These amendments will also allow for a transition period until January 1, 2012 for companies to use the 2001 CSO Mortality Table with the requirement that reserves be subject to asset adequacy testing.

**C. The legal effects of the regulation, including all ways that the regulation would change existing regulations or other laws.**

This regulation will allow preneed insurance products to use the 1980 CSO Mortality Table for use in determining minimum standards for reserve and nonforfeiture values.

# CERTIFICATION

R-39 REV. 1/77

Be it known that the foregoing:

Page \_\_\_\_\_ of \_\_\_\_\_ pages

Regulations  Emergency Regulations

Are:

Adopted  Amended as hereinabove stated  Repealed

By the aforesaid agency pursuant to:

x Section 38a-78 of the General Statutes.

Section \_\_\_\_\_ of the General Statutes, as amended by Public Act No. \_\_\_\_\_ of the \_\_\_\_\_ Public Acts.

Public Act No. \_\_\_\_\_ of the Public Acts.

After publication in the Connecticut Law Journal on, Oct 21, 2008 and \_\_\_\_\_ of the notice of the proposal to:

Adopt  Amend  Repeal such regulations

(If applicable):  And the holding of an advertised public hearing on \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

WHEREFORE, the foregoing regulations are hereby:

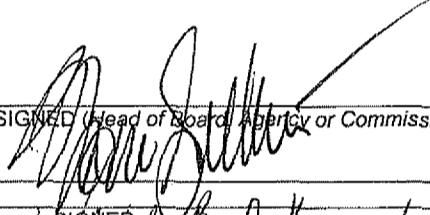
Adopted  Amended as hereinabove stated  Repealed

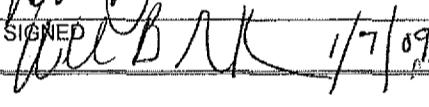
Effective:

When filed with the Secretary of the State.

(OR)

The \_\_\_\_\_ day of \_\_\_\_\_.

In Witness Whereof:	DATE <u>10/26/08</u>	SIGNED (Head of Board, Agency or Commission) 	OFFICIAL TITLE, DULY AUTHORIZED INSURANCE COMMISSIONER
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Approved by the Attorney General as to legal sufficiency in accordance with Sec. 4-169, as amended, C. G. S. :	SIGNED 	DATE <u>1/7/09</u>	OFFICIAL TITLE, DULY AUTHORIZED ASSOC. ATTORNEY GENERAL
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Approved

Disapproved

Disapproved in part, (Indicate Section Numbers disapproved only)

Rejected without prejudice.

By the Legislative Regulation Review Committee in accordance With Sec. 4-170, as amended, of the General Statutes.	DATE	SIGNED (Clerk of the Legislative Regulation Review Committee)
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Two certified copies received and filed, and one such copy forwarded to the Commission on Official Legal Publications  
in accordance with Section 4-172, as amended, of the General Statutes.

DATE	SIGNED (Secretary of the State.)	BY
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## INSTRUCTION

1. One copy of all regulations for adoption, amendment or repeal, except emergency regulations, must be presented to the Attorney General for his determination of legal sufficiency. Section 4-169 of the General Statutes.
2. Seventeen copies of all regulations for adoption, amendment or repeal, except emergency regulations, must be presented to the standing Legislative Regulation Review Committee for its approval. Section 4-170 of the General Statutes.
3. Each regulation must be in the form intended for publication and must include the appropriate regulation section number and section heading. Section 4-172 of the General Statutes.
4. Indicate by "(NEW)" in heading if new regulation. Amended regulations must contain new language in capitol letters and deleted language in brackets. Section 4-170 of the General Statutes.