

**PROPOSED
RULE 95**

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

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Section 1. Authority

This Rule is promulgated and adopted by the Insurance Commissioner for the State of Arkansas ("Commissioner") pursuant to Arkansas Code Annotated §23-84-113 and Arkansas Code Annotated §§23-40-108(d), 23-61-108 and 25-15-201, et seq.

Section 2. Scope

This Rule applies to preneed insurance as defined in Section 4(C) in this Rule.

Section 3. Purpose

The purpose of this regulation is to establish for prepaid funeral contracts funded by life insurance 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 prepaid funeral contracts funded by life insurance.

Section 4. Definitions

- 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 Rule, preneed insurance is any life insurance policy or certificate that is issued to fund a prepaid funeral contract as defined in Section 4(D) of this Rule: or any similar policy or contract written through or in connection with a funeral home with the purpose of providing funds for final expenses and having similar underwriting characteristics as preneed funeral contracts.
- D. For the purposes of this Rule, a prepaid funeral contract is a contract as defined in Ark. Code Ann. §23-40-103(10).

Section 5. Minimum Valuation Mortality Standards

For preneed insurance contracts, as defined in section 4C, 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.

Section 6. 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 required under Ark. Code Ann. §23-84-101 et seq, in the “Standard Valuation Law For Life Insurance and Annuities.”
- 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 required under Ark. Code Ann. §23-81-207 et seq, in the “Standard Nonforfeiture Law For Life Insurance.”

Section 7. 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 required under Ark. Code. Ann. §23-84-101 et seq, in the “Standard Valuation Law For Life Insurance and Annuities.”
- B. The method used in determining the standard for the minimum nonforfeiture values for preneed insurance shall be the method required under Ark. Code Ann. §23-81-207 et seq, in the “Standard Nonforfeiture Law For Life Insurance.”

Section 8. 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 nonforfeiture 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.

Section 9. Effective Date

This Rule is applicable to all preneed insurance -as specified in Section 2 of this Rule, on or after January 1, 2009. |