

Notice
of Rulemaking Hearing
Department of Commerce and Insurance
Division of Insurance

There will be a hearing before the Commissioner of Commerce and Insurance to consider the promulgation of rules pursuant to T.C.A. §§ 56-2-301 and 62-5-413(b). The hearing will be conducted in the manner prescribed by the Uniform Administrative Procedures Act, T.C.A. § 4-5-204 and will take place in Fifth Floor, Conference Room A of the Davy Crockett Tower located at 500 James Robertson Parkway in Nashville, Tennessee at 10:00 a.m. CST on the 17th day of September, 2008.

Any individuals with disabilities who wish to participate in these proceedings (to review these filings) should contact the Department of Commerce and Insurance to discuss any auxiliary aids or services needed to facilitate such participation. Such initial contact may be made no less than ten (10) days prior to the scheduled meeting date (the date the party intends to review such filings), to allow time for the Department to determine how it may reasonably provide such aid or service. Initial contact may be made with Don Coleman, the Department's ADA Coordinator, at 500 James Robertson Parkway, Fifth Floor, Nashville, Tennessee 37243, telephone (615) 741-0481.

For a copy of this notice of rulemaking hearing, contact: Amy B. Smith, Assistant General Counsel, Department of Commerce and Insurance, Davy Crockett Tower, Second Floor, 500 James Robertson Parkway, Nashville, Tennessee 37243, telephone (615) 532-6830.

Substance of Proposed Rules

Chapter 0780-01-52
Mortality Tables

Amendments

Rule 0780-01-52-.05 Separability is amended by redesignating the current language as Rule 0780-1-52-.06 and substituting the following language so that as amended the Rule shall read:

0780-01-52-.05 Preneed Mortality Tables.

(1) Purpose.

The purpose of this Rule 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.

(2) Definitions.

- (a) "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) "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) "Preneed Insurance" shall mean any policy that falls within the definition of a "prearrangement insurance policy", defined in T.C.A. § 62-5-403(7) as "a life insurance policy, annuity contract, or other insurance contract, or any series of contracts or agreements in any form or manner, issued by an insurance company, that, whether by assignment or otherwise, funds a pre-need funeral contract, the insured, or annuitant being the person for whose funeral service the funds were paid".

(3) Minimum Valuation Mortality Standards.

For preneed insurance contracts, as defined in Rule 0780-1-52-.05(2)(c), the minimum mortality standard for determining reserve liabilities and non-forfeiture values for both male and female insureds shall be the Ultimate 1980 CSO.

(4) 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 T.C.A. § 56-1-403.
- (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 T.C.A. § 56-7-401.

(5) 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 T.C.A. § 56-1-403.
- (b) The method used in determining the standard for the minimum nonforfeiture values for preneed insurance shall be the method defined in T.C.A. § 56-7-401.

(6) Transitional Rules.

- (a) For preneed insurance policies issued on or after the effective date of this Rule 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 any policy issued on or after the effective date of this Rule and before January 1, 2012, the insurer shall provide, as 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:

- (i) A complete list of all preneed policy forms that use the 2001 CSO as a minimum standard;
 - (ii) 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
 - (iii) 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.

Authority: T.C.A. §§ 56-1-403, 56-2-301, 56-7-401, 62-5-403(7) and 62-5-413(b).

Rule 0780-01-52-.06 Effective Date is amended by redesignating the current language as Rule 0780-1-52-.07 and adding the following the language to the end of the Rule:

and provided that 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.

Authority: T.C.A. §§ 56-2-301, 56-7-401 and 62-5-413(b).

The notice of rulemaking set out herein was properly filed in the Department of State on the 31st day of July, 2008. (07-28-08;DBID 894)