LCB File No. R166-08

PROPOSED REGULATION OF THE COMMISSIONER OF INSURANCE

PROPOSED ADDITION TO CHAPTER 688A OF NAC
CONCERNING PRENEED INSURANCE

EXPLANATION – Matter in italics is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §§ NRS 681B.120 and 688A.325.

A REGULATION relating to insurance; providing for the use of certain mortality tables adopted by the National Association of Insurance Commissioners to establish minimum reserve liabilities for policies of preneed insurance; and providing other matters properly relating thereto.

Section 1. Chapter 688A of NAC is hereby amended by adding thereto the provisions set forth as sections 2 through 10, inclusive.

Sec. 2. ***As used in this regulation, unless the context otherwise requires, the words and terms defined in Sections 3, 4, 5 and 6 have the meanings ascribed to them in those sections.***

Sec. 3. ***"2001 CSO Mortality Table" has the meaning ascribed to it in Section 3 of R031-08.***

Sec. 4. ***"CSO" has the meaning ascribed to it in Section 5 of R031-08.***

Sec. 5. ***"Preneed insurance" means a life insurance policy or contract used solely for the funding of a prepaid contract as defined in NRS 689.475. The status of the policy or contract as preneed insurance is determined in accordance with the policy form filing.***

Sec. 6. "***Ultimate 1980 CSO Mortality Table" means the Commissioners' 1980 Standard Ordinary Life Valuation Mortality Tables without ten-year (10-year) selection factors, incorporated into the 1980 amendments to the NAIC Standard Valuation Law approved in December 1983.***

Sec. 7. ***For preneed insurance, the minimum mortality standard for determining reserve liabilities and nonforfeiture values for both male and female insureds shall be the Ultimate 1980 CSO Mortality Table.***

Sec. 8. ***The method used in determining the standard for the minimum valuation of reserves of preneed insurance shall be the method defined in NRS 681B.110 through 681B.150, inclusive.***

Sec. 9. ***The method used in determining the standard for the minimum nonforfeiture values for preneed insurance shall be the method defined in NRS 688A.290 through 688A.360, inclusive.***

Sec. 10. ***1. Notwithstanding the provisions of sections 6, 7 and 8, for any preneed insurance contracts issued on or after January 1, 2009 and before January 1, 2012 subsections 2, 3 and 4 shall apply.***

2. 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.

3. If an insurer elects to use the 2001 CSO Mortality Table as a minimum standard, 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:

(a) A complete list of all preneed policy forms that use the 2001 CSO Mortality Table as a minimum standard;

(b) 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.); and

(c) Supporting information regarding the adequacy of reserves for preneed insurance policies issued after January 1, 2009 and using the 2001 CSO Mortality Table as a minimum standard for reserves.

Sec. 11. ***This regulation shall become effective January 1, 2009.***