

**ADOPTED REGULATION OF
THE COMMISSIONER OF INSURANCE**

LCB File No. R166-08

Effective January 1, 2009

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

AUTHORITY: §§1-10, NRS 679B.130 and 689.720.

A REGULATION relating to insurance; prescribing the mortality tables that an insurer must use to determine the minimum standards for reserve liabilities and nonforfeiture values 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 to 9, inclusive, of this regulation.

Sec. 2. *As used in sections 2 to 9, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 7, inclusive, of this regulation have the meanings ascribed to them in those sections.*

Sec. 3. *1. “2001 CSO Mortality Table” means the mortality table, consisting of separate rates of mortality for male and female lives, developed by the CSO Task Force of the American Academy of Actuaries from the 2001 Valuation Basic Mortality Table developed by the Individual Life Insurance Valuation Mortality Task Force of the Society of Actuaries and adopted by the National Association of Insurance Commissioners in December 2002. The 2001 CSO Mortality Table is set forth in the Proceedings of the NAIC (2nd Quarter 2002) and supplemented by the 2001 CSO Preferred Class Structure Mortality Table.*

2. Unless the context otherwise requires, the 2001 CSO Mortality Table includes both the ultimate form of that table and the select and ultimate form of that table, 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. The mortality tables in the 2001 CSO Mortality Table include:

(a) A table which consists of the rates of mortality for female lives from the 2001 CSO Mortality Table;

(b) A table which consists of the rates of mortality for male lives from the 2001 CSO Mortality Table;

(c) Composite mortality tables, which consist of rates of mortality that do not distinguish between smokers and nonsmokers; and

(d) Smoker and nonsmoker mortality tables, which consist of separate rates of mortality for smokers and nonsmokers.

3. A copy of the 2001 CSO Mortality Table may be obtained from the Insurance Products and Services Division of the National Association of Insurance Commissioners, 2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2662, by telephone at (816) 783-8300 or on the Internet at http://www.naic.org/store_home.htm, for the price of \$180.

Sec. 4. "CSO" means Commissioners Standard Ordinary.

Sec. 5. "Preneed insurance" means a policy or contract of life insurance which is approved by the Commissioner as preneed insurance and used solely to fund a prepaid contract.

Sec. 6. "Prepaid contract" has the meaning ascribed to it in NRS 689.475.

Sec. 7. "Ultimate 1980 CSO Mortality Table" means the 1980 CSO Mortality Table, without the Ten-Year Select Mortality Factors, incorporated into the 1980 amendments to the Standard Valuation Law approved by the National Association of Insurance Commissioners

in December 1983. A copy of the Ultimate 1980 CSO Mortality Table may be obtained from the Research Library of the National Association of Insurance Commissioners, 2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2662 or by telephone at (816) 783-8250, for the price of \$10, plus \$1 per page.

Sec. 8. Except as otherwise provided in section 9 of this regulation, for preneed insurance:

1. The minimum mortality standard for determining reserve liabilities and nonforfeiture values for both male and female insureds must be determined based on the Ultimate 1980 CSO Mortality Table;

2. The standard for the minimum valuation of reserves must be calculated pursuant to the provisions of NRS 681B.110 to 681B.150, inclusive; and

3. The standard for the minimum nonforfeiture values must be calculated pursuant to the provisions of NRS 688A.290 to 688A.360, inclusive.

Sec. 9. 1. For preneed insurance issued on or after January 1, 2009, but before January 1, 2012, an insurer may elect to use the 2001 CSO Mortality Table to determine the minimum mortality standard for determining reserve liabilities and nonforfeiture values for both male and female insureds.

2. If an insurer elects to use the 2001 CSO Mortality Table to determine the minimum standards for reserve liabilities and nonforfeiture values, the insurer shall provide to the Commissioner, as part of the actuarial opinion memorandum submitted annually in support of the insurer's asset adequacy testing, a written notification which must include, without limitation:

(a) A complete list of all preneed insurance policy forms for which the insurer uses the 2001 CSO Mortality Table to determine the minimum standards for reserve liabilities and nonforfeiture values;

(b) A certification signed by the appointed actuary which states that the reserve methodology used by the insurer to determine reserves for preneed insurance for which the insurer uses the 2001 CSO Mortality Table to determine the minimum standards for reserve liabilities develops adequate reserves; and

(c) Any other relevant information concerning the adequacy of the reserves as may be determined by the Commissioner.

3. For the purposes of the certification required by paragraph (b) of subsection 2, policies of preneed insurance for which the insurer elects to use the 2001 CSO Mortality Table to determine the minimum standards for reserve liabilities and nonforfeiture values may not be aggregated with any other policies of insurance.

Sec. 10. This regulation becomes effective on January 1, 2009.

**NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R166-08**

The Commissioner of Insurance adopted regulations assigned LCB File No. R166-08 which pertain to chapter 688A of the Nevada Administrative Code.

INFORMATIONAL STATEMENT

A workshop was held on August 14, 2008, and a hearing was held on August 21, 2008, at the offices of the Department of Business and Industry, Division of Insurance (“Division”), 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, with a simultaneous video-conference conducted at the Bradley Building, 2501 E. Sahara Avenue, Real Estate Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104, regarding the adoption of the regulation concerning preneed insurance.

Public comment was solicited by posting notice of the hearing in the following public locations: the Division’s Carson City and Las Vegas offices, Carson City Courthouse, Office of the Attorney General, the Donald W. Reynolds Press Center, Capitol Building Lobby, Capitol Building Press Room, Blasdel Building, Legislative Counsel Bureau, Nevada State Library, Carson City Library, Churchill County Library, Clark County District Library, Douglas County Library, Elko County Library, Esmeralda County Library, Eureka Branch Library, Humboldt County Library, Lander County Library, Lincoln County Library, Lyon County Library, Mineral County Library, Pershing County Library, Storey County Library, Tonopah Public Library, Washoe County Library, and White Pine County Library.

Notice was e-mailed to members of the Commissioner’s Advisory Committee on Health Care and Insurance and interested parties of that Committee. In addition, the Division maintains a general list of interested parties, comprised mainly of insurance companies, agencies and other persons regulated by the Division. These persons were notified of the hearing and that copies of the regulation could be obtained from or examined at the offices of the Division in Carson City.

The workshop was attended by 15 interested parties in Carson City and 11 in Las Vegas. Oral testimony, in the form of suggested changes to the existing regulation, was provided by Rebecca Alvarado, Actuary I, representing the Division.

The hearing was attended by seven interested parties in Carson City. During the hearing, oral testimony was provided by Rebecca Alvarado, Actuary I. The Division received no public written comments.

The Commissioner has issued an order adopting the regulation, as amended, as a permanent regulation of the Division.

Based upon the testimony received at the hearing, the proposed regulation, LCB File No. R166-08, is amended as follows:

1. Section 5 is amended to read as follows:

Sec. 5. "Preneed insurance" means a policy or contract of life insurance which is used solely to fund a prepaid contract. **The policy's status as preneed insurance must be approved by the Commissioner.**

The economic effects of the regulation are as follows:

- (a) On the business which it regulates: The proposed regulation should have no economic impact on the industry that the Division of Insurance regulates.
- (b) On the public: The proposed regulation should have no economic impact on the public.

There should be only minimal cost to the Division to review forms updated to comply with the regulation. The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.