

PROJECT HISTORY - 2008

PRENEED LIFE INSURANCE MINIMUM STANDARDS FOR DETERMINING RESERVE LIABILITIES AND NONFORFEITURE VALUES MODEL REGULATION (#817)

1. Description of the Project, Issues Addressed, etc.

Research completed by the Deloitte University of Connecticut Actuarial Center and commissioned by the Society of Actuaries as a part of a study of preneed mortality determined that the 2001 CSO Mortality Table, currently recognized as the prevailing table for the purposes of calculating reserves and nonforfeiture values both on a statutory basis and on a tax basis, produced inadequate reserves for policies issued in support of a prearrangement agreement which provides goods and services at the time of an insured's death. The 1980 CSO Mortality Table was determined to produce adequate reserves for these policies and contracts.

Conversion to the 2001 CSO is mandatory on January 1, 2009, unless the regulation is adopted.

A few companies had already converted to the 2001 CSO and requested a transition period.

The proposed model regulation was expanded to include the use of 1980 CSO for determining minimum nonforfeiture benefits in addition to valuing reserves.

2. Name of Group Responsible for Drafting the Model and States Participating

The Michael Villa (Homesteaders Life) worked on the Society of Actuaries group studying the preneed issue and prepared the initial draft of the model regulation.

The 2008 members of the Life and Health Actuarial Task Force are: Kansas (chair), South Carolina (Vice Chair), Alaska, Alabama, Arkansas, California, Connecticut, Florida, Kentucky, Minnesota, Missouri, Nebraska, New York, Ohio, Oklahoma, Texas, Utah and Vermont.

3. Project Authorized by What Charge and Date First Given to the Group

The Task Force had the following applicable charges during the time the model regulation was being considered:

2007 – Work on implementation of tables necessary for use in current valuation requirements

2007 – Study the feasibility of developing new valuation and nonforfeiture mortality tables for preneed life insurance.

2008 – Work on implementation of tables necessary for use in current valuation requirements.

2008 – Review and make recommendations on rules for appropriate reserve mortality tables for simplified issue and guaranteed issue forms of life insurance. Review and recommend, if appropriate, a revised structure for regulating these forms of life insurance to establish it as a class distinct from industrial and ordinary lines.

The implementation charge is a standing charge to the Task Force and the date of origination is unknown.

4. **A General Description of the Drafting Process (e.g., drafted by a subgroup, interested parties, the full group, etc). Include any parties outside the members that participated**

Michael Villa (Homesteader's Life)

7. Any Other Important Information (e.g., amending an accreditation standard).

Although the Task Force adopted the model regulation without an additional 30-day exposure period for the revised transition rules, the model regulation is exposed for comment while awaiting action from the "A" Committee with comments forwarded to the "A" Committee staff support. The proposed model regulation is expected to have 30 days of exposure before being presented to the NAIC Executive and Plenary.