7/18/08

PROPOSED REGULATIONS

NORTH DAKOTA ADMINISTRATIVE CODE
CHAPTER 45-04-07.3
PRE-NEED LIFE INSURANCE MINIMUM STANDARDS FOR DETERMINING RESERVE LIABILITITES AND NONFORFEITURE VALUES

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45-04-07.3-01. Definitions.

1. "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 national association of insurance commissioners in December 2002. The 2001 CSO mortality table is included in the proceedings of the national association of insurance commissioners (second 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.

2. "Ultimate 1980 CSO" means the commissioners' 1980 standard ordinary life valuation mortality tables (1980 CSO) without ten-year selection factors, incorporated into the 1980 amendments to the national association of insurance commissioners standard valuation law approved in December 1983.

3. For the purposes of this chapter, pre-need life insurance is any life insurance policy or certificate that is issued in combination with, in support of, with an assignment to, or as a guarantee for a prearrangement

agreement for goods and services to be provided at the time of and immediately following the death of the insured. Goods and services may include embalming, cremation, body preparation, viewing or visitation, coffin or urn, memorial stone, and transportation of the deceased. The status of the policy or contract as pre-need life insurance is determined at the time of issue in accordance with the policy form filing.

History: Effective _____.
General Authority: N.D.C.C. § 28-32-02
Law Implemented: N.D.C.C. § 26.1-35-02

45-04-07.3-02. Minimum valuation mortality standards. The minimum mortality standard for pre-need life insurance contracts for determining reserve liabilities and nonforfeiture values for both male and female insureds shall be the ultimate 1980 CSO.

History: Effective _____.
General Authority: N.D.C.C. § 28-32-02
Law Implemented: N.D.C.C. § 26.1-35-02

45-04-07.3-03. Minimum valuation interest rate standards.

1. The interest rates used in determining the minimum standard for valuation of pre-need life insurance shall be the calendar year statutory valuation interest rates as defined in North Dakota Century Code section 26.1-35-04.

2. The interest rates used in determining the minimum standard for nonforfeiture values for pre-need life insurance shall be the calendar year statutory nonforfeiture interest rates as defined in North Dakota Century Code section 26.1-33-27.

History: Effective _____.
General Authority: N.D.C.C. § 28-32-02
Law Implemented: N.D.C.C. § 26.1-35-02

45-04-07.3-04. Minimum valuation method standards.

1. The method used in determining the standard for the minimum valuation of reserves of pre-need life insurance shall be the method defined in North Dakota Century Code section 26.1-35-02.

2. The method used in determining the standard for the minimum nonforfeiture values for pre-need life insurance shall be the method defined in North Dakota Century Code section 26.1-33-27.

History: Effective _____.
General Authority: N.D.C.C. § 28-32-02
Law Implemented: N.D.C.C. § 26.1-35-02

45-04-07.3-05. Transition rules.

1. For pre-need life insurance policies issued on or after the effective date of this chapter 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.

2. 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 chapter 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:

   a. A complete list of all pre-need life insurance policy forms that use the 2001 CSO 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 pre-need life insurance 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 pre-need life insurance policies using the 2001 CSO as a minimum standard cannot be aggregated with any other policies; and

   c. Supporting information regarding the adequacy of reserves for pre-need life insurance policies issued after the effective date of this chapter and using the 2001 CSO as a minimum standard for reserves.

3. Pre-need life 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.

History: Effective _____.

General Authority: N.D.C.C. § 28-32-02
Law Implemented: N.D.C.C. § 26.1-35-02

45-04-07.3-06. Effective date. This chapter is applicable to pre-need life insurance policies and certificates and similar contracts and certificates issued on or after January 1, 2009.

History: Effective _____.
General Authority: N.D.C.C. § 28-32-02
Law Implemented: N.D.C.C. § 26.1-35-02