

**806 KAR 6:130. Minimum standards for determining reserve liabilities and nonforfeiture values for preneed insurance.**

RELATES TO: KRS 304.1-040, 304.6-130, 304.6-140, 304.6-170, 304.6-171, 304.6-180, 304.12-085, 304.12-240, 304.15-342

STATUTORY AUTHORITY: KRS 304.2-110, 304.6-140, 304.15-410

NECESSITY, FUNCTION, AND CONFORMITY: EO 2008-507, signed June 6, 2008, and effective June 16, 2008, created the Department of Insurance, headed by the Commissioner of Insurance. KRS 304.2-110 authorizes the Commissioner of the Department of Insurance to promulgate administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code, KRS 304.1-010 through 304.99-152. KRS 304.6-140 provides that the commissioner may approve by administrative regulation any mortality table adopted by the National Association of Insurance Commissioners for use in determining the minimum standard for valuation of policies. KRS 304.15-410 provides for reserves held under any plan of life insurance which provides for future premium determination to be appropriate in relation to the benefits and computed by a method which is consistent with the principles of the standard valuation law, as determined by regulations promulgated by the commissioner. This administrative regulation establishes minimum mortality standards for preneed insurance product reserves and nonforfeiture values, and requires the use of the 1980 Commissioners Standard Ordinary (CSO) Life Valuation Mortality table in determining the minimum standard of valuation of reserves and minimum standard nonforfeiture values for preneed insurance products.

**Section 1. Definitions.**

- (1) "1980 CSO Table (F), with or without Ten (10) Year Select Mortality Factors" means that mortality table consisting of the rates of mortality for female lives from the 1980 CSO Table, with or without Ten (10) Year Select Mortality Factors.
- (2) "1980 CSO Table (M), with or without Ten (10) Year Select Mortality Factors" means that mortality table consisting of the rates of mortality for male lives from the 1980 CSO Table, with or without Ten (10) Year Select Mortality Factors.
- (3) "2001 CSO Mortality Table" means a mortality table that:
  - (a) Consists of separate rates of mortality for male and female lives;
  - (b) Was 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;
  - (c) Is published in the Proceedings of the National Association of Insurance Commissioners (2nd Quarter 2002) and supplemented by the 2001 CSO Preferred Class Structure Mortality Table; and
  - (d) Includes, unless the context indicates otherwise, both:
    1. The ultimate form and the select and ultimate form of the table;
    2. The smoker and nonsmoker mortality tables and the composite mortality tables; and
    3. The age-nearest-birthday and the age-last-birthday bases of the mortality tables.
- (4) "Commissioner" means the Commissioner of the Department of Insurance.
- (5) "Insurer" is defined in KRS 304.1-040.
- (6) "Merged Gender Ultimate 1980 CSO Table" means any mortality table which is a blend of the 1980 CSO Table (M), without Ten (10) Year Select Mortality Factors, and the 1980 CSO Table (F), without Ten (10) Year Select Mortality Factors, which have been adopted by the National Association of Insurance Commissioners.

(7) "Preneed insurance" means a life insurance policy issued by an insurance company which:

- (a) Whether by assignment or otherwise, has for a purpose the funding of a preneed funeral contract or an insurance-funded funeral or burial agreement; and
- (b) Pays funds for the funeral or burial of the insured.

(8) "Ultimate 1980 CSO Table", means a mortality table, consisting of separate rates of mortality for male and female lives, without Ten (10) Year Select Mortality Factors, developed by the Society of Actuaries Committee to Recommend New Mortality Tables for Valuation of Standard Individual Ordinary Life Insurance, referenced in KRS 304.6-140 and 304.15-342.

#### Section 2. Minimum Valuation and Nonforfeiture Mortality Standards.

(1) For preneed insurance, the minimum mortality standard for determining reserve liabilities and nonforfeiture values for male and female insureds shall be the male Ultimate 1980 CSO Table and the female Ultimate 1980 CSO Table, respectively.

(2) A Merged Gender Ultimate 1980 CSO Table may, at the option of the insurer, be substituted for the male Ultimate 1980 CSO Table or the female Ultimate 1980 CSO Table minimum mortality standard for determining nonforfeiture values.

(3) It shall not be a violation of KRS 304.12-085 for an insurer to issue the same kind of policy of life insurance on both a sex distinct and sex neutral basis if:

- (a) The insurer establishes, prior to issue of any policy which is to be offered, the conditions under which each type will be marketed; and
- (b) The conditions, together with sufficient information to establish that an unfairly discriminatory condition will not be created, are filed with the commissioner for approval in accordance with KRS 304.14-120.

#### Section 3. Transition Rules.

(1) For preneed insurance policies issued on or after the effective date of this administrative regulation and before January 1, 2012, the 2001 CSO Mortality Table may be used as the minimum standard for reserves and the minimum standard for nonforfeiture benefits for both male and female insureds.

(2) If an insurer elects to use the 2001 CSO Mortality Table as a minimum standard for any policy issued on or after the effective date of this administrative regulation and before January 1, 2012, the insurer shall provide, as part of the actuarial opinion memorandum required by KRS 304.6-171 submitted in support of the insurer's asset adequacy testing, an annual written notification to the domiciliary state insurance 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 insurer in determining reserves for the preneed policies after the effective date of this administrative regulation and using the 2001 CSO Mortality Table as a minimum standard, develops adequate reserves. For purposes of this certification, the preneed policies using the 2001 CSO Mortality Table as a minimum standard shall not be aggregated with any other policies; and
- (c) Supporting information regarding the adequacy of reserves for preneed insurance policies issued after the effective date of this administrative regulation and using the 2001 CSO Mortality Table as a minimum standard for reserves.

(3) Preneed insurance policies issued on and after January 1, 2012, shall use the Ultimate 1980 CSO Tables in the calculation of minimum nonforfeiture values and minimum reserves.

#### Section 4. Incorporation by Reference.

(1) The following material is incorporated by reference:

(a) "Ultimate 1980 CSO Table", published in the proceedings of the National Association of Insurance Commissioners, 1984, Vol. 1, pages 402-413;

(b) "Merged Gender Ultimate 1980 CSO Table", published in the proceedings of the National Association of Insurance Commissioners, 1984, Vol.1, pages 396-400; and

(c) "2001 CSO Mortality Table", published in the proceedings of the National Association of Insurance Commissioners, Second Quarter 2002.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Department of Insurance, 500 Mero Street, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m.

(35 Ky.R. 684; Am. 1467; eff. 1-5-2009; Crt eff. 2-26-2020; TAm eff. 3-10-2020.)