

Dear Senators ANDREASON, Coiner & Werk, and
Representatives BLACK, Henderson & Elaine Smith:

The Legislative Services Office, Research and Legislation, has received the enclosed rules of the Idaho Department of Insurance: IDAPA 18.01.80 - Preneed Life Insurance Minimum Standards for Determining Reserve Liabilities & Nonforfeiture Values (New Chapter) (Docket No. 18-0180-0801).

Pursuant to Section 67-454, Idaho Code, a meeting on the enclosed rules may be called by the cochairmen or by two (2) or more members of the subcommittee giving oral or written notice to Research and Legislation no later than fourteen (14) days after receipt of the rules' analysis from Legislative Services. The final date to call a meeting on the enclosed rules is no later than 9-9-08. If a meeting is called, the subcommittee must hold the meeting within forty-two (42) days of receipt of the rules' analysis from Legislative Services. The final date to hold a meeting on the enclosed rules is 10-7-08.

_____The germane joint subcommittee may request a statement of economic impact with respect to a proposed rule by notifying Research and Legislation. There is no time limit on requesting this statement, and it may be requested whether or not a meeting on the proposed rule is called or after a meeting has been held.

To notify Research and Legislation, call 334-2475, or send a written request to the address or FAX number indicated on the memorandum enclosed.

MEMORANDUM

TO: Subcommittees for Administrative Rules Review of the Senate Commerce and Human Resources Committee and the House Business Committee

FROM: Eric Milstead, Principal Research Analyst

DATE: August 19, 2008

SUBJECT: Idaho Department of Insurance - IDAPA 18.01.80 - Preneed Life Insurance Minimum Standards for Determining Reserve Liabilities & Nonforfeiture Values (New Chapter) (Docket No. 18-0180-0801)

The Idaho Department of Insurance has submitted notice of proposed rulemaking at IDAPA 18.01.80 - Preneed Life Insurance Minimum Standards for Determining Reserve Liabilities and Nonforfeiture Values. According to the Department, negotiated rulemaking was not conducted because the proposed rule was drafted in conjunction with industry and is, consequently, unlikely to generate comments or controversy.

Briefly, the proposed rule establishes a specific mortality table as the standard for computing policy reserves for certain policies (preneed policies, e.g., burial or cremation policies). According to the Department, this proposed rule is based on model regulation recently developed by the National Association of Insurance Commissioners. The proposed rule is applicable to preneed insurance policies issued on or after January 1, 2009.

The proposed rule appears to be within the authority granted to the Department under Sections 41-211, 41-612, and 41- 1927, Idaho Code.

cc: Department of Insurance
William W. Deal, Director, & Martha Smith

IDAPA 18 - DEPARTMENT OF INSURANCE

18.01.80 - PRENEED LIFE INSURANCE MINIMUM STANDARDS FOR DETERMINING RESERVE LIABILITIES AND NONFORFEITURE VALUES

DOCKET NO. 18-0180-0801 (NEW CHAPTER)

NOTICE OF RULEMAKING - PROPOSED RULE

AUTHORITY: In compliance with Section 67-5221(1), Idaho Code, notice is hereby given that this agency has initiated proposed rulemaking procedures. The action is authorized pursuant to Sections 41-211, 41-612 and 41-1927, Idaho Code.

PUBLIC HEARING SCHEDULE: Public hearing(s) concerning this rulemaking will be scheduled if requested in writing by twenty-five (25) persons, a political subdivision, or an agency, not later than September 17, 2008.

The hearing site(s) will be accessible to persons with disabilities. Requests for accommodation must be made not later than five (5) days prior to the hearing, to the agency address below.

DESCRIPTIVE SUMMARY: The following is a nontechnical explanation of the substance and purpose of the proposed rulemaking:

This rule establishes the 1980 CSO Mortality Table as the minimum standard for computation of policy reserves and nonforfeiture values for preneed policies, offered by life insurers to cover funeral and burial expenses. It is based on a model regulation recently developed by the National Association of Insurance Commissioners in conjunction with the insurance industry to address a recent finding by the Society of Actuaries that the mortality table slated to become the minimum standard effective January 1, 2009 produces inadequate reserves. The rule allows companies a time period to transition to the use of the 1980 CSO Mortality Tables and provides notice requirements to keep the Director of the Department of Insurance informed on which table is in use.

FEE SUMMARY: The following is a specific description of the fee or charge imposed or increased: N/A

FISCAL IMPACT: The following is a specific description, if applicable, of any negative fiscal impact on the state general fund greater than ten thousand dollars (\$10,000) during the fiscal year: N/A

NEGOTIATED RULEMAKING: In compliance with IDAPA 04.11.01.811, negotiated rule making was not conducted because this rule was drafted in conjunction with industry and is therefore unlikely to generate comments or controversy.

ASSISTANCE ON TECHNICAL QUESTIONS: For assistance on technical questions concerning this pending rule, contact Martha Smith, Senior Financial Examiner, Idaho Department of Insurance, at 208/334-4315.

Anyone may submit written comments regarding this proposed rule making. All written comments must be directed to the undersigned and must be delivered on or before September 24, 2008.

DATED this 10th day of July 2008.

William W. Deal
Director
Idaho Department of Insurance
700 West State Street, 3rd Floor
Boise, ID 83720-0043
208-334-4250 (Voice)
208-334-4398 (Fax)

THE FOLLOWING IS THE TEXT OF DOCKET NO. 18-0180-0801**IDAPA 18
TITLE 01
CHAPTER 80****18.01.80 - PRENEED LIFE INSURANCE MINIMUM STANDARDS FOR DETERMINING
RESERVE LIABILITIES AND NONFORFEITURE VALUES****000. LEGAL AUTHORITY.**

This rule is promulgated and adopted pursuant to the authority granted by Sections 41-211, 41-612, and 41-1927, Idaho Code. ()

001. TITLE AND SCOPE.

01. Title. This rule shall be cited as IDAPA 18.01.80, "Preneed Life Insurance Minimum Standards for Determining Reserve Liabilities and Nonforfeiture Values". ()

02. Scope. This rule applies to preneed insurance contracts, as defined in Subsection 010 of this rule, and to similar policies and certificates, as may be determined by the director. ()

03. Purpose. The purpose of this rule is to establish for preneed insurance products minimum mortality standards for reserves and nonforfeiture values, and to require the use of the 1980 Commissioners Standard Ordinary (CSO) Life Valuation Mortality Table for use in determining the minimum standard of valuation of reserves and the minimum standard nonforfeiture values for preneed insurance products. ()

002. WRITTEN INTERPRETATIONS.

In accordance with Section 67-5201(19)(b)(iv), Idaho Code, this agency may have written statements which pertain to the interpretation of the rules of the chapter, or to the documentation of compliance with the rules of this chapter. These documents will be available for public inspection and copying in accordance with the public records act. ()

003. ADMINISTRATIVE APPEALS.

All administrative appeals shall be governed by Chapter 2, Title 41, Idaho Code, and Chapter 52, Title 67, Idaho Code, the Idaho Administrative Procedure Act, and IDAPA 04.11.01, Idaho Rules of Administrative Procedure of the Attorney General – General Provisions. ()

004. INCORPORATION BY REFERENCE.

The Director of the Department of Insurance adopts by reference the 1980 and 2001 CSO Mortality Tables. The tables are available on the Society of Actuaries website at <http://www.soa.org/professional-interests/technology/tech-table-manager.aspx> and http://www.actuary.org/life/cso_0702.asp. ()

005. OFFICE -- OFFICE HOURS -- MAILING ADDRESS, STREET ADDRESS AND WEB SITE.

01. Office Hours. The Department of Insurance is open from 8 a.m. to 5 p.m. except Saturday, Sunday and legal holidays. ()

02. Mailing Address. The department's mailing address is: Idaho Department of Insurance, P.O. Box 83720, Boise, ID 83720-0043. ()

03. Street Address. The principal place of business is 700 West State Street, 3rd Floor, Boise, Idaho 83702-0043. ()

04. Web Site Address. The department's web address is <http://www.doi.idaho.gov>. ()

006. PUBLIC RECORDS ACT COMPLIANCE.

Any records associated with these rules are subject to the provisions of the Idaho Public Records Act, Title 9, Chapter 3, Idaho Code. ()

007. -- 009. (RESERVED).

010. DEFINITIONS.

01. 2001 CSO Mortality Table. "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 NAIC in December 2002. The 2001 CSO Mortality Table is included in the *Proceedings of the NAIC (2nd 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. ()

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

03. Preneed Insurance. For the purposes of this rule, preneed 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, but are not limited to 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 preneed insurance is determined at the time of issue in accordance with the policy form filing. ()

011. MINIMUM STANDARDS.

01. Valuation Mortality Standards. For preneed insurance contracts, as defined in Section 010 of this rule, and similar policies and contracts, the minimum mortality standard for determining reserve liabilities and nonforfeiture values for both male and female insureds shall be the Ultimate 1980 CSO. ()

02. Valuation Interest Rate Standards. ()

a. The interest rates used in determining the minimum standard for valuation of preneed insurance shall be the calendar year statutory valuation interest rates as defined in Section 41-612, Idaho Code. ()

b. The interest rates used in determining the minimum standard for nonforfeiture values for preneed insurance shall be the calendar year statutory nonforfeiture interest rates as defined in Section 41-1927, Idaho Code. ()

03. Valuation Method Standards. ()

a. The method used in determining the minimum standard for valuation of preneed insurance shall be the method as defined in Section 41-612, Idaho Code. ()

b. The method used in determining the minimum standard for nonforfeiture values for preneed insurance shall be the method as defined in Section 41-1927, Idaho Code. ()

012. TRANSITION RULES.

01. 2001 CSO Election. For preneed insurance policies issued on or after the effective date of this rule

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. ()

02. Written Notification of Election. ()

a. 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 rule 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 insurer's domiciliary commissioner. The notification shall include: ()

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

ii. 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 as a minimum standard, develops adequate reserves (For the purposes of this certification, the preneed insurance policies using the 2001 CSO as a minimum standard cannot be aggregated with any other policies.); and ()

iii. Supporting information regarding the adequacy of reserves for preneed insurance policies issued after the effective date of this rule and using the 2001 CSO as a minimum standard for reserves. ()

03. End of Transition Period. Preneed 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. ()

013. EFFECTIVE DATE.

This rule is applicable to preneed insurance policies and certificates and similar contracts and certificates, as specified in Section 001 of this rule, issued on or after January 1, 2009. ()

014 -- 999. (RESERVED).