

3901-6-15

**Preneed life insurance minimum standards for determining reserve liabilities and nonforfeiture values.****(A) 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.

**(B) Authority**

This rule is promulgated pursuant to the authority vested in the superintendent under sections 3901.041, 3903.72, 3903.721, and 3915.071 of the Revised Code and rule 3901-6-10 of the Administrative Code (valuation of life insurance policies).

**(C) Scope**

This rule applies to preneed insurance contracts, as defined in paragraph (D)(3) of this rule.

**(D) Definitions**

- (1) The term "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 (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.
- (2) The term "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 NAIC Standard Valuation Law approved in December 1983.
- (3) For the purposes of this rule, a preneed insurance contract is any life insurance policy or certificate that will be marketed and sold solely to fund preneed

funeral contracts, as defined by division (T) of section 4717.01 of the Revised Code. ~~The insurance company shall clearly identify the policy form as a preneed insurance contract at the time the form is filed for approval with the superintendent of insurance pursuant to section 3915.14 of the Revised Code.~~ The status of the policy or contract as preneed insurance is determined at the time of issue in accordance with the policy form filing, pursuant to section 3915.14 of the Revised Code.

(E) Minimum valuation mortality standards

For preneed insurance contracts, as defined in paragraph (D)(3) of this rule, the minimum mortality standard for determining reserve liabilities and nonforfeiture values for both male and female insureds ~~shall be~~ is the "Ultimate 1980 CSO."

(F) Minimum valuation interest rate standards

- (1) The interest rates used in determining the minimum standard for valuation of preneed insurance ~~shall be~~ are the calendar year statutory valuation interest rates as defined in section 3903.724 of the Revised Code.
- (2) The interest rates used in determining the minimum standard for nonforfeiture values for preneed insurance ~~shall be~~ are the calendar year statutory nonforfeiture interest rates as defined in division (F) of section 3915.071 of the Revised Code.

(G) Minimum valuation method standards

- (1) The method used in determining the standard for the minimum valuation of reserves of preneed insurance ~~shall be~~ is the method defined in division ~~(E)~~ (A) of section ~~3903.72~~ 3903.723 of the Revised Code.
- (2) The method used in determining the standard for the minimum nonforfeiture values for preneed insurance ~~shall be~~ is the method defined in section 3915.071 of the Revised Code.

(H) Transition rules

- (1) 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.
- (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 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 domiciliary commissioner. The notification shall include:

- (a) A complete list of all preneed 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 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
  - (c) 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.
- (3) 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.

#### (I) Severability

~~If any paragraph, term or provision of this rule is adjudged invalid for any reason, such judgment shall not affect, impair, or invalidate any other paragraph, term or provision of this rule, but the remaining paragraphs, terms and provisions shall be and continue in full force and effect.~~If any portion of this rule or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the rule or related rules which can be given effect without the invalid portion or application, and to this end the provisions of this rule are severable.

Effective: 11/16/2023  
Five Year Review (FYR) Dates: 8/31/2023 and 08/31/2028

CERTIFIED ELECTRONICALLY

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Certification

11/06/2023

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Date

Promulgated Under: 119.03  
Statutory Authority: 3901.041  
Rule Amplifies: 3903.72, 3915.071  
Prior Effective Dates: 01/01/2009, 06/19/2014, 11/15/2018