

**ALABAMA DEPARTMENT OF INSURANCE  
INSURANCE REGULATION  
ADMINISTRATIVE CODE**

**CHAPTER 482-1-143  
PRENEED INSURANCE MINIMUM STANDARDS FOR DETERMINING RESERVE  
LIABILITIES AND NONFORFEITURE VALUES**

**TABLE OF CONTENTS**

<b>482-1-143-.01</b>	<b>Authority</b>
<b>482-1-143-.02</b>	<b>Purpose</b>
<b>482-1-143-.03</b>	<b>Scope</b>
<b>482-1-143-.04</b>	<b>Definitions</b>
<b>482-1-143-.05</b>	<b>Minimum Valuation Mortality Standards</b>
<b>482-1-143-.06</b>	<b>Minimum Valuation Interest Rate Standards</b>
<b>482-1-143-.07</b>	<b>Minimum Valuation Method Standards</b>
<b>482-1-143-.08</b>	<b>Transition Rules</b>
<b>482-1-143-.09</b>	<b>Severability</b>
<b>482-1-143-.10</b>	<b>Effective Date</b>

**482-1-143-.01      Authority.**

This chapter is promulgated by the Commissioner of Insurance pursuant to §§27-2-17 and 27-36-7, Code of Ala. 1975.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Ala. 1975, §§27-2-17, 27-36-7.

**History: New Rule:** Filed November 7, 2008; effective January 1, 2009. Filed with LRS November 12, 2008. Rule is not subject to the Alabama Administrative Procedure Act.

**482-1-143-.02      Purpose.**

The purpose of this chapter 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.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Ala. 1975, §§27-2-17, 27-36-7.

**History: New Rule:** Filed November 7, 2008; effective January 1, 2009. Filed with LRS November 12, 2008. Rule is not subject to the Alabama Administrative Procedure Act.

**482-1-143-.03      Scope.**

This chapter applies to life insurance used as a direct or indirect funding method for preneed contracts for funeral or cemetery merchandise and services as defined in 482-1-143-.04.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Ala. 1975, §§27-2-17, 27-36-7.

**History: New Rule:** Filed November 7, 2008; effective January 1, 2009. Filed with LRS November 12, 2008. Rule is not subject to the Alabama Administrative Procedure Act.

**482-1-143-.04      Definitions.**

(1) 2001 CSO MORTALITY TABLE. 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.

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

(3) PRENEED CONTRACT. A written contract to purchase funeral merchandise, funeral services, cemetery merchandise, and/or cemetery services from a seller on a preneed basis (any time prior to death) within the scope of the Alabama Preneed Funeral and Cemetery Act, Code of Ala. 1975, §§27-17A-1 et seq. For purposes of this chapter, and whether or not the transaction is subject to regulation as a preneed contract under the Alabama Preneed Funeral and Cemetery Act, Code of Ala. 1975, §§27-17A-1 et seq., a "preneed contract" also includes a prearrangement if accompanied by a purchase of life insurance intended to ultimately fund a completed purchase of funeral or cemetery merchandise and services at need.

(4) PRENEED INSURANCE. 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 preneed contract. "Preneed

insurance" also includes life insurance on the life of a preneed contract beneficiary acquired as an investment of trust assets by a preneed funeral merchandise and services trust pursuant to Ala. Act 2008-271. The status of the policy or contract as preneed insurance is determined at the time of issue in accordance with the policy form filing.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Ala. 1975, §§27-2-17, 27-36-7.

**History: New Rule:** Filed November 7, 2008; effective January 1, 2009. Filed with LRS November 12, 2008. Rule is not subject to the Alabama Administrative Procedure Act.

#### **482-1-143-.05      Minimum Valuation Mortality Standards.**

For contracts of preneed insurance as defined in 482-1-143-.04, the minimum mortality standard for determining reserve liabilities and non-forfeiture values for both male and female insureds shall be the Ultimate 1980 CSO.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Ala. 1975, §§27-2-17, 27-36-7.

**History: New Rule:** Filed November 7, 2008; effective January 1, 2009. Filed with LRS November 12, 2008. Rule is not subject to the Alabama Administrative Procedure Act.

#### **482-1-143-.06      Minimum Valuation Interest Rate Standards.**

(1) 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 Code of Ala. 1975, §27-36-7.

(2) 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 Code of Ala. 1975, §§27-15-28.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Ala. 1975, §§27-2-17, 27-36-7.

**History: New Rule:** Filed November 7, 2008; effective January 1, 2009. Filed with LRS November 12, 2008. Rule is not subject to the Alabama Administrative Procedure Act.

#### **482-1-143-.07      Minimum Valuation Method Standards.**

(1) The method used in determining the standard for the minimum valuation of reserves of preneed insurance shall be the method defined in Code of Ala. 1975, §27-36-7.

(2) The method used in determining the standard for the minimum nonforfeiture values for preneed insurance shall be the method defined in Code of Ala. 1975, §§27-15-28.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Ala. 1975, §§27-2-17, 27-36-7.

**History: New Rule:** Filed November 7, 2008; effective January 1, 2009. Filed with LRS November 12, 2008. Rule is not subject to the Alabama Administrative Procedure Act.

#### **482-1-143-.08      Transition Rules.**

(1) For preneed 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 non-forfeiture 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 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 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 regulation 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.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Ala. 1975, §§27-2-17, 27-36-7.

**History: New Rule:** Filed November 7, 2008; effective January 1, 2009. Filed with LRS November 12, 2008. Rule is not subject to the Alabama Administrative Procedure Act.

**482-1-143-.09      Severability.**

If any portion of this chapter or its applicability to any person or circumstance is held invalid by a court, the remainder of this chapter or its applicability to other persons or circumstances shall not be affected.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Ala. 1975, §§27-2-17, 27-36-7.

**History: New Rule:** Filed November 7, 2008; effective January 1, 2009. Filed with LRS November 12, 2008. Rule is not subject to the Alabama Administrative Procedure Act.

**482-1-143-.10      Effective Date.**

This chapter is applicable to policies or certificates of preneed insurance issued on or after the later to occur of (i) its approval by the Commissioner of Insurance and upon its having been on file as a public document in the office of the Secretary of State for ten days, or (ii) January 1, 2009.

**Author:** Commissioner of Insurance

**Statutory Authority:** Code of Ala. 1975, §§27-2-17, 27-36-7.

**History: New Rule:** Filed November 7, 2008; effective January 1, 2009. Filed with LRS November 12, 2008. Rule is not subject to the Alabama Administrative Procedure Act.