

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street, 23rd Floor
San Francisco, CA 94105**

Bulletin 2008-2

December 16, 2008

TO: All Licensed Life Insurance Companies and Other Interested Persons

SUBJECT: Preneed Life Insurance Minimum Standards for Determining Reserve Liabilities and Nonforfeiture Values

Section 1. Authority

This bulletin is issued under the authority of Insurance Code sections 10489.2 and 10163.2, and California Code of Regulations, title 10, section 2580.6.

Section 2. Purpose

This bulletin approves 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 for nonforfeiture values, for preneed insurance products.

Section 3. Definitions

- A. The term “Ultimate 1980 CSO” means 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.
- B. For the purposes of this bulletin, a “preneed insurance policy” 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.
- C. For purposes of this bulletin, “Commissioner” means the Insurance Commissioner of the State of California.

Section 4. Approval of Ultimate 1980 CSO for Preneed Insurance Policies

A. Section 4.B. of Department of Insurance Bulletin 2003-5 notwithstanding:

1. Preneed insurance policies issued on or after January 1, 2009 and before January 1, 2012 may use the Ultimate 1980 CSO in the calculation of minimum reserves and minimum nonforfeiture values.
2. If an insurer elects to use a mortality table approved by the Commissioner other than the Ultimate 1980 CSO as a minimum standard for any preneed insurance policy issued on or after January 1, 2009 and before January 1, 2012, the insurer shall provide, as a part of the regulatory asset adequacy issues summary, an annual written notification to the Commissioner. The notification shall include:
 - a. A complete list of all preneed policy forms that do not use the Ultimate 1980 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 on or after January 1, 2009 and not using the Ultimate 1980 CSO as a minimum standard develops adequate reserves (for the purposes of this certification, the preneed insurance policies not using the Ultimate 1980 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 on or after January 1, 2009 and not using the Ultimate 1980 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.

B. Gender-Blended Tables

Section 7.A. of Department of Insurance Bulletin 2003-5 notwithstanding, for preneed insurance policies delivered, or issued for delivery, on or after January 1, 2009 that utilize the same premium rates and charges for male and female lives or that are issued in circumstances where applicable law does not permit distinctions on the basis of gender, a mortality table that is a blend of the Ultimate 1980 CSO (Male) and the Ultimate 1980 CSO (Female) may, at the option of the company for each plan of insurance, be substituted for the Ultimate 1980 CSO for use in determining minimum cash surrender values and amounts of paid-up nonforfeiture benefits. No change in minimum valuation standards is implied by the preceding sentence.

Section 5. Effective Date

This bulletin is effective January 1, 2009.

Section 6. Questions

Any questions regarding this Bulletin should be referred to:

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