



Department of Insurance

State of Arizona

Office of the Director

Telephone: (602) 364-3471

Telecopier: (602) 364-3470

JANET NAPOLITANO

Governor

2910 North 44th Street, Suite 210

Phoenix, Arizona 85018-7256

www.id.state.az.us

CHRISTINA URIAS

Director of Insurance

REGULATORY BULLETIN 2008-05¹

To: All Authorized Life Insurance Companies

From: Christina Urias
Director

Date: August 8, 2008

Re: **2001 Commissioners' Standard Ordinary (CSO) Mortality Table**
2001 CSO Preferred Class Structure Mortality Table
Ultimate 1980 CSO

The purpose of this bulletin is to advise interested parties that, effective January 1, 2009, the Director:

1. Re-approves the use of the 2001 Commissioners' Standard Ordinary (CSO) Mortality Table for use in determining the minimum valuation standard and the minimum nonforfeiture standard for all ordinary life insurance policies and contracts issued on a standard basis (See Regulatory Bulletins 2003-12 and 2006-10)
2. Re-approves the use of the 2001 CSO Preferred Class Structure Mortality Table for use in determining the minimum valuation standard and the minimum nonforfeiture standard for ordinary life insurance policies and contracts issued on a preferred mortality basis (See Regulatory Bulletin 2006-10)
3. Approves the use of the Ultimate 1980 CSO for use in determining reserve liabilities and nonforfeiture values for preneed life insurance² contracts issued after January 1, 2009. "Ultimate 1980 CSO" means the Commissioners' 1980 Standard Ordinary Life Valuation Mortality Tables without ten-year selection factors, incorporated into the 1980 Amendments to the National Association of Insurance Commissioners ("NAIC") Standard Valuation Law approved in December 1983.

¹This Substantive Policy Statement is advisory only. A Substantive Policy Statement does not include internal procedural documents that only affect the internal procedures of the Agency, and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona Administrative Procedure Act. If you believe that this Substantive Policy Statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes Section 41-1033 for a review of the Statement.

² "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.

This Regulatory Bulletin supercedes Regulatory Bulletin 2006-10. This bulletin recognizes, permits and prescribes the use of mortality tables that determine the reserve liabilities and nonforfeiture values for both male and female insureds for preneed insurance contracts.

On and after January 1, 2009, an insurer offering preneed life insurance contracts may elect to use the Ultimate 1980 CSO for any specified plans of insurance subject to any applicable provisions of Arizona Revised Statutes (“A.R.S.”) §§20-510 and 20-1231.01.

A.R.S. §20-510 specifies the minimum valuation standards for all policies and contracts. For policies issued on or after the operative date of A.R.S. §20-1231.01, insurers may use any ordinary mortality table that the NAIC adopts after 1980 and that the Director of Insurance approves for use to determine the minimum valuation standard for those policies. A.R.S. §20-510 (D)(1) (C). In addition, A.R.S. §20-1231.01(8)(f) permits an insurer to use these mortality tables to determine the minimum nonforfeiture standard for all policies and contracts.

In the 1st quarter of this year, the NAIC adopted a model regulation to recognize, permit and prescribe the use of the Ultimate 1980 CSO: “Preneed Life Insurance Minimum Standards for Determining Reserve Liabilities and Nonforfeiture Values Model Regulation” (“Preneed Model Regulation”). We expect that the NAIC Accounting Practices and Procedures Manual will reflect many of the requirements of this NAIC Preneed Model Regulation. Insurers in Arizona follow this manual pursuant to A.R.S. §20-223.

Until further action by the Department or the NAIC, the Department will refer to the NAIC Preneed Model Regulation for guidance to interpret and enforce the requirements of A.R.S. §§20-510 and 20-1231.01 when an insurer uses the Ultimate 1980 CSO for preneed insurance.

Please direct any questions related to this Regulatory Bulletin to William K. Robinson, Life and Health Actuary, at (602) 364-3248, or to wrobinson@azinsurance.gov.