

DEPARTMENT OF INSURANCE

Statutory Authority: 18 Delaware Code, Sections 314 & 1111 (18 Del.C. §§314, 1111)

PROPOSED

PUBLIC NOTICE

1218 Determining Reserve Liabilities For Credit Life Insurance

INSURANCE COMMISSIONER KAREN WELDIN STEWART, CIR-ML hereby gives notice of intent to adopt Department of Insurance Regulation 1218 relating to reserve liabilities for credit life insurance.

The purpose of the proposed regulation 1218 is to recognize the 2001 CSO Male Composite Ultimate Mortality Table for use in determining the minimum standards of valuation and to specify the interest rate method to be used in determining the minimum standards of valuation. The docket number of the proposed regulation is 1346. The proposed regulation is reproduced in the May 2010 edition of the *Delaware Register of Regulations*. The text can also be viewed at the Delaware Insurance Commissioner's website at: <http://www.delawareinsurance.gov/departments/documents/ProposedRegs/ProposedRegs.shtml>.

The Department of Insurance does not plan to hold a public hearing on the proposed changes. Any person can file written comments, suggestions, briefs, compilations of data or other materials concerning the proposed amendments. Any written submission in response to this notice and relevant to the proposed changes must be received by the Department of Insurance no later than 4:00 p.m., Monday June 7, 2010, and should be addressed to Mitch Crane, Esquire, Delaware Department of Insurance, 841 Silver Lake Boulevard, Dover, DE 19904, or sent by fax to 302.736.7979 or email to mitch.crane@state.de.us.

1218 Determining Reserve Liabilities For Credit Life Insurance

1.0 Authority

This regulation is promulgated by the Commissioner of Insurance pursuant to 18 Del.C. §§1111, 1113, 1213, 1701 and 29 Del.C. Ch. 101 (Administrative Procedures Act).

2.0 Scope

This regulation applies to credit life insurance policies and certificates, and those similar policies and certificates where there is no identifiable charge made to the debtor.

3.0 Purpose

The purpose of this regulation is to:

- 3.1 Recognize the 2001 CSO Male Composite Ultimate Mortality Table for use in determining the minimum standard of valuation.
- 3.2 Specify the interest rate and method to be used in determining the minimum standard of valuation.

4.0 Definitions

- 4.1 "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.

- 4.2 "Composite mortality tables" means mortality tables with rates of mortality that do not distinguish between smokers and nonsmokers.
- 4.3 "Credit life insurance" means life insurance as defined in 18 Del.C. §3702.

5.0 2001 CSO Male Composite Ultimate Mortality Table

- 5.1 The minimum standard for both male and female insureds shall be 2001 CSO Male Composite Ultimate Mortality Table.
- 5.2 Where the credit life insurance policy or certificate insures two lives, the minimum standard shall be twice the mortality in the 2001 CSO Male Composite Ultimate Mortality Table based on the age of the older insured.

6.0 Minimum Standards

- 6.1 18 Del.C. §1212 shall not apply to credit life insurance.
- 6.2 The interest rates used in determining the minimum standard for valuation shall be the calendar year statutory valuation interest rates as defined in 18 Del.C. §1113.
- 6.3 The method used in determining the minimum standard for valuation shall be the Commissioners Reserve Valuation Method as defined in 18 Del.C. §1113.

7.0 Effective Date

This regulation is applicable to credit life policies and certificates issued on or after January 1, 2010 and effective 10 days after publication of the final Order signed by the Commissioner.

13 DE Reg. 1397 (05/01/10) (Proposed)