

December 1, 2010

**TO: CHIEF ACTUARIES OF LIFE INSURANCE COMPANIES AND
FRATERNAL ORGANIZATIONS LICENSED IN ILLINOIS**

**FROM: BRUCE SARTAIN, FSA, MAAA
LIFE ACTUARY
(217) 785-0903**

RE: COMMENTS CONCERNING (CB #2010-09):

- **Financial Reporting**
- **Health Insurance Reporting**
- **Policy Form Filings**

Financial Reporting

1. According to the Statement of Statutory Accounting Principles (SSAP) 1 (7), "If a reporting entity employs accounting practices that depart from the NAIC accounting practices and procedures, disclosure of the following information about those accounting practices that affect statutory surplus or risk-based capital shall be made at the date each financial statement is presented." Per SSAP 1 (7)(c), a disclosure is required of, "The monetary effect on net income and statutory surplus of using an accounting practice which differs from NAIC statutory accounting practices and procedures."

Companies that file an actuarial opinion not based on asset adequacy analysis in accordance with the single state exemption included in 50 Ill. Adm. Code 1408.ILLUSTRATION A (b)(4)(B) are not required to complete (7)(c) for the reconciliation of Appendix A-822 of the Accounting Practices and Procedures Manual as it differs from 50 Ill. Adm. Code Part 1408. ILLUSTRATION A (b)(4)(B), "Actuarial Opinion and Memorandum".

2. Amendments to 50 Ill. Adm. Code 1408 Actuarial Opinion and Memorandum were adopted effective 1/1/2009. Per Section 1408.ILLUSTRATION A(b)(4)(B), Companies and Fraternal doing business only in this State and in no other state may be exempt from performing asset adequacy testing. All other Companies and Fraternal subject to Part 1408 must submit an opinion based on asset

adequacy analysis. Part 1408 can be viewed at <http://www.ilga.gov/commission/jcar/admincode/050/05001408sections.html>.

Illinois domiciled Dual Authority companies and Life Companies filing on a Health blank are subject to both the Life Actuarial Opinion requirements in Part 1408 and the Health Actuarial Opinion requirements found in the Health Annual Statement Instructions. For companies that qualify for the single state exemption in Part 1408, a Health Opinion is required. For companies that do not qualify for the single state exemption, an opinion based on asset adequacy analysis with some additional Health language is required.

Any questions can be directed to Ms. Susan Christy at Susan.Christy@illinois.gov or (217) 782-1759.

3. If an X-factor opinion is required per Regulation 1409, "Valuation of Life Insurance Policies Including the Use of Select Mortality Factors", a copy of the X-factor opinion shall be attached to each copy of the reserve actuarial opinion submitted with the annual statement. The supporting actuarial report does not need to be filed annually, but shall be made available to the Director upon request.
4. Any insurer required to submit an actuarial opinion pursuant to 50 Ill. Adm. Code 1410, "Modified Guaranteed Annuity (MGA) Contracts", shall annually conduct separate cash flow testing on the MGA reserves. A copy of the MGA opinion shall be attached to each copy of the reserve actuarial opinion submitted with the annual statement. For **Illinois domestic insurers**, a separate Regulator Asset Adequacy Issues Summary (RAAIS), covering only the MGA testing, shall be submitted along with the RAAIS covering aggregate asset adequacy testing. See item 9 for filing instructions for the RAAIS. A separate actuarial memorandum is not required.
5. Any insurer maintaining any separate accounts governed by Appendix A-200 of the Accounting Practices and Procedures Manual shall annually submit a Separate Accounts Funding Guaranteed Minimum Benefit Actuarial Opinion with the annual statement.
6. Any insurer issuing synthetic guaranteed investment contracts governed by Appendix A-695 of the Accounting Practices and Procedures Manual shall annually submit a Synthetic Guaranteed Investment Contracts Actuarial Opinion with the annual statement.
7. Any insurer required to submit VACARVM certifications pursuant to Actuarial Guideline XLIII shall annually submit the certifications with the annual statement. The supporting actuarial memorandum does not need to be filed annually, but shall be made available to the Director upon request.

8. Per Actuarial Guidelines XXXV and XXXVI, for all insurers issuing equity indexed annuity or equity indexed universal life products, a “certification must be filed in conjunction with each quarterly and annual statutory financial statement filed with the appropriate regulatory official.” The appropriate certification shall be submitted along with the annual and quarterly statements.
9. Pursuant to 50 Ill. Adm. Code 1408.80 **Illinois domestic companies** shall submit a Regulatory Asset Adequacy Issues Summary (RAAIS) that summarizes the memorandum required per 215 ILCS 5/223(1a)(A)(9). The RAAIS should be submitted annually by March 15th of the following year. Illinois foreign companies are not required to submit an RAAIS. The RAAIS is considered a confidential document and therefore should not be sent with the annual statement, but should be stamped “confidential” and submitted directly to:

Ms. Susan Christy
Life Actuarial Assistant
Illinois Department of Insurance
320 West Washington
Springfield, Illinois 62767-0001

10. Pursuant to the RBC C-3 Phase I and C-3 Phase II requirements found in the RBC Instructions for LR024 and Appendix 1, any Illinois domestic company required to submit actuarial certifications shall submit two copies annually. These certifications are considered confidential documents and therefore should not be sent with the annual statement, but should be stamped “confidential” and submitted in the following manner. One copy is to be included with the RBC Report to be submitted no later than March 1st. The second copy can be included with the Regulatory Asset Adequacy Issues Summary (RAAIS), submitted no later than March 15th, and shall be sent directly to:

Ms. Susan Christy
Life Actuarial Assistant
Illinois Department of Insurance
320 West Washington
Springfield, Illinois 62767-0001

Health Insurance Reporting

- 11.50 Ill. Adm. Code 2004 was amended effective July 25, 2008 to incorporate the March 2008 version of the NAIC’s Accounting Practices and Procedures Manual (APPM). As before, all policies and claims incurred prior to January 1, 2002 are subject to the provisions of 50 Ill. Adm. Code 2004. Per 50 Ill. Adm. Code 2004.10, policies issued and claims incurred on or after January 1, 2002 and before November 29, 2006 are subject to the standards prescribed in the March 2001 APPM. Policies issued and claims incurred on or after November 29, 2006 and before July 25, 2008 are subject to the standards prescribed in the March

2006 APPM. Policies issued and claims incurred on or after July 25, 2008 are subject to the standards prescribed in the March 2008 APPM.

12. Companies that write small group health insurance in Illinois are required to submit by May 15 of each year a certification of compliance with the Small Employer Health Insurance Rating Act. 50 Ill. Adm. Code 5101 is the rule to be followed in completing the certification. All certifications shall be submitted to:

Mr. Gerald Lucht
Actuary I
Illinois Department of Insurance
320 West Washington
Springfield, Illinois 62767-0001

13. As of January 1, 2011 any company that sells or has in force any individual or group major medical policies is required to comply with the reporting requirements on administrative expenses found in Section 359c of the Illinois Insurance Code (215 ILCS 5/359c). The reports are required to be filed semi-annually. The first report is required to be filed by July 31, 2011 for the period January 1 – June 30, 2011. The report for the period July 1 – December 31, 2011 is required to be filed by January 31, 2012. The report format and instructions are still being developed, and will be available in early 2011. For further information please contact:

Mr. Gerald Lucht
Actuary I
Illinois Department Insurance
320 West Washington
Springfield, Illinois 62767-0001
gerald.lucht@illinois.gov

14. Companies writing Medicare Supplement insurance in Illinois are required by 50 Ill. Adm. Code 2008.80(b) to submit Medicare Supplement refund calculations. The calculations are due on May 31 of each year. All calculations shall be submitted to:

Mr. Gerald Lucht
Actuary I
Illinois Department Insurance
320 West Washington
Springfield, Illinois 62767-0001

Policy Form Filings

15. If a previously approved life policy form is refiled due to a change in mortality table/nonforfeiture interest rate (per 215 ILCS 5/229.2(4c)(j)), a revised actuarial

memorandum demonstrating compliance with 215 ILCS 5/229.2 is required to be filed as well.

16. Per 50 Ill. Adm. Code 1413.40(c), every insurer using the 2001 CSO Preferred Class Structure Table is required to annually file, no sooner than December 31, 2008, statistical reports with a statistical agent designated by the Director. At this time the Director has not designated a statistical agent and the Department is not accepting the statistical reports. Until a statistical agent acceptable to the Director has been designated by the NAIC, the statistical reports will not be accepted by the Department.
17. The 1980 CSO Table is reestablished as the minimum mortality standard for Preneed Life Insurance products pursuant to 50 Ill. Adm. Code 1414. Companies that started selling preneed products using the 2001 CSO Table are required to transition to using the 1980 CSO Table for policies issued on or after January 1, 2012.
18. The Department's Annuity Filing Checklist is required to be submitted with all annuity policy form filings. The checklist can be found on our website, www.insurance.illinois.gov, under the "Insurer's/HMOs" tab. For questions regarding this checklist, please contact Susan Lamb, ASA, MAAA at susan.lamb@illinois.gov.
19. Please refer to this bulletin in future years unless and until another bulletin is posted. Any future bulletins that pertain to year-end issues will be posted in the first half of December.