




Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

TO: CHIEF ACTUARIES OF LIFE/ACCIDENT AND HEALTH INSURANCE COMPANIES AND FRATERNAL ORGANIZATIONS LICENSED IN ILLINOIS

FROM: ANDREW BORON, DIRECTOR OF INSURANCE 

DATE: March 7, 2012

RE: COMPANY BULLETIN #2011-15 (REVISED)
COMMENTS CONCERNING:

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

The Department issued Company Bulletin 2011-15 on December 16, 2011, to provide guidance concerning Financial Reporting, Health Insurance Reporting and Policy Form filings. Item #14 of IDOI Bulletin 2011-15 purports to address the semi-annual statement due dates concerning A&H Health Expense Reports for 2012. After the referenced Company Bulletin was issued it was discovered that Item #14 contained some misinformation. Item #14 has been updated and now contains more accurate information as to the due dates for the semi-annual statements concerning A&H Health Expense Reporting for 2012 (see revised item #14 herein).

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 provide this reconciliation of Appendix A-822 of the Accounting Practices and Procedures Manual and 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/or a Fraternal doing business only in this State and in no other state may be exempt from performing asset adequacy testing. All other Companies and/or any Fraternal which is 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 50 Ill. Adm. Code 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 10 of this bulletin for filing instructions for the RAAIS. A separate actuarial memorandum is not required.
5. Any insurer using the 2001 CSO Preferred Class Structure Table and required to submit an actuarial certification pursuant to 50 Ill. Adm. Code 1413.40 (a) or (b) shall annually submit the certification with the annual statement.

The Department is not yet requiring insurers to submit statistical reports as described in 50 Ill. Adm. Code 1413.40 (c)

6. Any insurer maintaining 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.
7. 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.

8. Any insurer required to submit Variable Annuity Commissioners Annuity Reserve Valuation Method certifications, pursuant to Actuarial Guideline XLIII found in Appendix C of the Accounting Practices and Procedures Manual, 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.
9. Per Actuarial Guidelines XXXV and XXXVI found in Appendix C of the Accounting Practices and Procedures Manual, 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.
10. 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

11. Pursuant to the RBC C-3 Phase I and C-3 Phase II requirements found in the Life Risk Based Capital Forecasting & Instructions Manual published by the NAIC 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
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Health Insurance Reporting

12. Effective July 25, 2008, 50 Ill. Adm. Code 2004 was amended 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.

13. 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

14. Beginning January 1, 2011, any company that has in force individual or group policy of major medical insurance is required to comply with the requirements for the reporting of administrative expenses found within Section 359c of the Illinois Insurance Code (215 ILCS 5/359c). The reports are required to be filed semi-annually. Effective January 1, 2012, the reporting dates have been changed. The first report in 2012 is now required to be filed April 1, 2012 for the period July 1 – December 31, 2011. The report for the period January 1 – June 30, 2012 is required to be filed by October 1, 2012. (The report for the period July 1 – December 31, 2012 will be due April 1, 2013.) The report format and instructions for the report due April 1 are available on the Department's website, www.insurance.illinois.gov, by March 1, 2012. Click the "Companies Tab", then "Company Bulletins", then "2011".

If your company has no major medical business to report, Exhibit A (A&H Expense Report Data Table) must be completed indicating ""0" then the table should be saved as a Microsoft Excel spreadsheet. All reports must be sent to the following email address DOI.AHExpenseReports@Illinois.gov.

Questions regarding Section 359c requirements should be directed to Mr. Scott Richardson at scott.richardson@illinois.gov

Enclosed: Exhibit A – Accident and Health Expense Report – Data Table
 Exhibit B – Accident and Health Expense Report – Definitions and
 Instructions

15. 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

16. As of December 1, 2011, any insurance company, health maintenance organization or health service plan authorized to offer health insurance coverage, as that term is defined in the Illinois Health Insurance Portability and Accountability Act [215 ILCS 97/1 et. seq.], must file all rate increases with the Department prior to its use. Please refer to Company Bulletin 2010-08 and Company Bulletin 2011-02 for details on the requirements and procedures to follow when submitting such filings to the Department.

Policy Form Filings

17. If a previously approved life policy form is re-filed due to a change in mortality table/ non-forfeiture 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.
18. The 1980 CSO Table, as described in 50 Ill. Adm. Code 1414, is reestablished as the minimum mortality standard for Preneed Life Insurance products pursuant to Part 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.
19. 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. Click on the "Companies" tab, then "Insurer's/HMO's/Industry Applications and Standards". For questions regarding this checklist, please contact Susan Lamb, ASA, MAAA at susan.lamb@illinois.gov.
20. Please refer to this bulletin in future years unless and until another bulletin is posted. Any future bulletins that pertain to year-end issues are expected to be posted in the first half of December.