

December 15,
2006

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

From: BRUCE SARTAIN, FSA, MAAA
(217) 785-0903

RE: COMMENTS CONCERNING (CB #2006-02):

Re:

- **APPENDIX A-822 OF THE ACCOUNTING PRACTICES AND PROCEDURES MANUAL**
- **ACTUARIAL OPINIONS**
- **STANDARD NONFORFEITURE LAW FOR INDIVIDUAL DEFERRED ANNUITIES**
- **STANDARD NONFORFEITURE LAW FOR LIFE INSURANCE**
- **X-FACTOR FILINGS**
- **EQUITY INDEXED ANNUITY AND EQUITY INDEXED UNIVERSAL LIFE CERTIFICATIONS**
- **THE REGULATORY ASSET ADEQUACY ISSUES SUMMARY**

1. According to the Statement of Statutory Accounting Principles (SSAP) No. 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 of 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 are not required to complete (7)(c) for the reconciliation of Appendix A-822 as it differs from 50 Illinois Administrative Code Part 1408, "Actuarial Opinion and Memorandum".

2. Section 4.3 of Actuarial Standard of Practice (ASOP) No. 22 relates to, "Reliance on Others for Data, Projections, and Supporting Analysis." Per that section, "When practicable, the actuary should review the data, projections, and supporting analysis for reasonableness and consistency, and disclose such a review." Section 5.3 of ASOP No. 23 includes analogous language, though disclosure of the data review is not necessarily required.

We are requesting that both Section 7 and Section 8 opinions include an explicit statement that any relied upon data, projections, or supporting analysis were reviewed for reasonableness and consistency by the appointed actuary. If such a review was not done because it was not practicable, that should be disclosed as well.

3. The Annuity Filing Checklist for Companies should be submitted with all annuity base policy form filings. The checklist should also be submitted with any annuity rider filings that require compliance with 215 ILCS 5/229.4a. The checklist can be found on our website, insurance.illinois.gov. Click on "Industry", "Regulatory Filings", scroll down to the "IS3 Review Requirements Checklists" section, then click on "Annuity Filing Checklist". Please check the website for the most current version of the checklist before submitting. Prior versions of the checklist will not be accepted.
4. 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)), we are requesting that a revised actuarial memorandum demonstrating compliance with 215 ILCS 5/229.2 be filed as well.
5. If an X-factor opinion is required per Regulation 1409, "Valuation of Life Insurance Policies Including the Use of Select Mortality Factors", please attach a copy of the X-factor opinion to each copy of the reserve actuarial opinion submitted with the annual statement.
6. 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."

We are requesting that the appointed actuaries for **Illinois domestic companies** issuing equity indexed annuities or equity indexed universal life products submit the appropriate certification along with the annual and quarterly statements and also submit a second copy directly to:

Ms. Susan Christy
Life Actuarial Assistant
Illinois Department of Financial and Professional Regulation
Department of Insurance
320 West Washington Street
Springfield, Illinois 62767-0001

1. The appointed actuaries for **Illinois domestic companies** must submit a Regulatory Asset Adequacy Issues Summary (RAAIS). The RAAIS for the current year should be submitted annually by March 15th of the following year. Illinois foreign companies are not required to submit an RAAIS. See below for a description of the items to be included in the RAAIS. The description has not changed materially from past years. Pursuant to 215 ILCS 5/223(1a)(A)(11) this 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 Financial and Professional Regulation
Department of Insurance

320 West Washington
Springfield, Illinois 62767-0001

1. Future bulletins will be issued only if necessary. 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 by December 15th.

Details of the RAAIS

1. When an actuarial opinion based on asset adequacy analysis is provided by an Illinois domestic company, the RAAIS shall also be provided. It shall specify:
 1. For each of the required interest rate scenarios which produce negative ending surplus values in the aggregate, the amount of additional reserve as of the valuation date which, if held, would eliminate such negative aggregate surplus values. Ending surplus values must be determined by either extending the projection period until the in-force and associated assets and liabilities at the end of the projection period are immaterial or by adjusting the surplus amount at the end of the projection period by an amount which appropriately estimates the value which can reasonably be expected to arise from the assets and liabilities remaining in force.
 2. The extent to which the appointed actuary uses assumptions in the asset adequacy analysis that are materially different than the assumptions used in the previous asset adequacy analysis;
 3. The amount of reserves and the identity of the product lines that had been subjected to asset adequacy analysis in the prior opinion but were not subject to analysis for the current opinion;
 4. The number of additional interest rate scenarios tested identifying separately the number of deterministic scenarios and stochastic scenarios;
 5. If sensitivity testing was performed, identify the assumptions tested;
 6. Comments shall be provided on any interim results that may be of significant concern to the appointed actuary;
 7. The methods used by the actuary to recognize the impact of reinsurance on the company's cash flows, including both assets and liabilities, under each of the scenarios tested;
 8. Whether the actuary has been satisfied that all options affecting cash flows embedded in fixed income securities and equity-like features in any investments have been appropriately considered in the asset adequacy analysis.
1. The RAAIS shall contain the name of the insurance company for which the RAAIS is being supplied, and shall be signed by the appointed actuary rendering the opinion.