

**State of Illinois  
Department of Insurance**

**To:** All Domestic Legal Reserve, Assessment Legal Reserve Life Insurance Companies, and Fraternal

**Re:** Verification of Life Insurance Policy Reserves as of December 31, 2011

All Fraternal Benefit Societies domiciled in the State of Illinois are required to submit an affidavit and comparison on Life Insurance Reserves. The Illinois Insurance Division does not contemplate issuing Certificates of Valuation annually to Fraternal. However, we will issue certificates upon the specific request and at the expense of the Society.

In order to facilitate the verification of reserves, and the issuing of valuation certificates by this Department, the following procedures will need to be followed.

**Affidavit**

As soon as the company's valuation is complete, affidavits must be prepared in the same form as the one enclosed. **Two copies**, only one need be executed, must be sent to the attention of the Life, Accident and Health Corporate Unit. **The transmittal letter should advise the number of certificates required.**

The total life and annuity reserves shown on the affidavit must agree with the total shown in the Annual Statement, Line 9999999, Total in Exhibit 5.

The A&H reserves shown on the affidavit must agree with the amount shown on the Annual Statement, Lines 2 and 3 in Exhibit 6.

In the event that a company has currently revalued portions of its business in force, on a valuation basis other than the minimum required by law or by the terms of the contract, or other than that shown in prior years, in the year in which such change is first made, full details must be given in Exhibit 5A and, in addition, to the Department at the time the affidavit is filed. This information should include details as to the block of business revalued, the amount of insurance involved, and the difference in reserves on the old and new basis. **Reserves cannot be reduced without the approval of the Director, even though reserves on the new basis may exceed statutory minimum requirements.**

In the event that the company has set aside a flat amount for the purpose of revaluing certain blocks of business at a future date, such additional sum shall not be included in Exhibit 5, but shall be shown as a separate liability item on page 3 of the Annual Statement.

**Reserve Comparison**

Insurance, reserves, reserves per \$1,000 of insurance and net annual premiums must be summarized for the life reserves **by plan within each mortality table, interest assumption, and valuation method** for the years 2009, 2010, and 2011. A three year comparison, including plan description and reserve amount is required for annuities, supplementary contracts, accidental death benefits disability-active lives and disabled lives and miscellaneous reserves.

The subtotals of the insurance and reserves of the summary must agree with the appropriate lines of the affidavits for the years 2009, 2010, and 2011. Companies are required to furnish current year valuation net premiums as illustrated on the attached form. In addition, in force net premiums for accidental death benefit and disability-active lives will be included. **These comparisons must be filed in duplicate.**

If the company has reinsurance assumed, the direct and assumed reserves should be combined on the Annual Statement and the Affidavit. The three year comparison should then have the detail for the direct business and include the reinsurance assumed business as a lump sum by basis, i.e., table, rate, and method. The company should be able to provide detail for the reinsurance assumed business in the same format as the detail for the direct business, as described in the first paragraph.

Companies must retain copies of all workpapers and reserve tables used in the valuation. **Reviews of the company's methods or records may be made at any time during the year by the Department's actuarial staff.**

## Reserve Credit

Reserve credit for reinsurance may not be taken unless the requirements of Section 173.1 of the Illinois Insurance Code and 50 Ill. Adm. Code 1103 have been met and the reinsurance treaty has been approved by the Director pursuant to Section 174 of the Illinois Insurance Code.

### Due Date

All of the above forms are due by March 1, 2012.

### Brief Outline for Filing Proper Material

1. Transmittal letter indicating the number of Certificates of Valuation required.
2. Two copies of the "Affidavit" (only one need be properly executed).
3. Two copies of the "Three Year Reserve Comparison for Life Insurance."
4. Two copies of the "Registered Policies" (only one need be properly executed).

**Note: Do NOT file with Annual Statement.**

Send directly to the Life, Accident and Health Corporate Unit  
Attention: Marilyn Casteel, Insurance Analyst

5. For those companies that have life authority, but do not write life business, please submit the proper forms indicating "NONE". **Letters indicating "NONE" will NOT be accepted.**
6. Our goal is to have certificates issued by the end of August, to those companies that have filed all documents properly.

**Note:** If the necessary copies are **NOT** received, proper copies will be made in our office at the company's expense of \$1.00 per Page.

If there are any questions pertaining to the affidavit filing, please contact Marilyn Casteel at (217)782-3824.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE**

\_\_\_\_\_  
(Name of Company)

\_\_\_\_\_  
(Domiciled City)

**AFFIDAVIT**

Valuation of policies in force-December 31, 2011

Paid for Basis

**LIFE INSURANCE:**

**Insurance**

**Reserve**

- (A) (Subdivide according to mortality and interest basis and valuation method.)  
Reserves and extra benefits should be shown separately in order to facilitate verification.
- (B) ANNUITIES:**  
(Subdivide according to mortality and interest basis and valuation method and status; i.e., deferred or immediate.)
- (C) Supplementary contracts with life contingencies (basis of valuation)
- (D) Accidental Death Benefits (basis of valuation)
- (E) Disability-Active Lives (basis of valuation)
- (F) Disability-Disabled Lives (basis of valuation)
- (G) 1. Deficiency Premiums:  
(Subdivide by mortality and interest basis and method of valuation)
2. Non-deduction of deferred fractional premiums or return of premiums at the death of the issued:  
Ordinary  
Group  
Industrial
3. For surrender values in excess of reserves otherwise required and carried in this schedule.
4. \_\_\_\_\_

**TOTAL**

Reinsurance (ceded) (Should equal sum of reinsurance in annual statement, page 12, Sections A thru G inclusive) must meet requirements of Section 173 of the Illinois Insurance Code.

**Line 9999999, TOTAL**

(Should check with entry in page 12 – Line 9999999, Total).

(Continuation of Affidavit)

Additional Reserves for Accident and Health  
(Exhibit 6)

	NON-CANCELLABLE	TOTAL
Additional Contract Reserves	\$ _____	\$ _____
Additional Actuarial Reserves	\$ _____	\$ _____

Reinsurance Assumed (Assuming company's liability is to ceding company)

Amount of Insurance \$ \_\_\_\_\_

Policy Reserves \$ \_\_\_\_\_

State of Illinois \_\_\_\_\_

County of \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_ President  
 \_\_\_\_\_ Secretary of the  
 \_\_\_\_\_ Company of

\_\_\_\_\_, Illinois, being duly sworn, deposes and says that they are the above described officers of said company, and that the foregoing statements and tabulations constitute a full and correct exhibit of all required reserves for policies of the said company, in force on the thirty-first day of **December 2011**, valued in accordance with the provisions of the Illinois Insurance Code, according to the best of their information, knowledge and belief.

\_\_\_\_\_  
(President)

\_\_\_\_\_  
(Secretary)

Subscribed and sworn to before me this \_\_\_\_\_  
Day of \_\_\_\_\_ of the year 2012.

\_\_\_\_\_  
(Signature of Notary)

**RESERVE COMPARISON FOR LIFE INSURANCE**

Name of Company \_\_\_\_\_

Subdivide according to:  
 Mortality Table  
 Interest Assumption  
 Valuation Method

**STATE OF ILLINOIS  
 DEPARTMENT OF INSURANCE**

Plan Code	Plan Description	2009			2010			2011			Net Premium Current Year
		Insurance	Reserves	Reserves Per \$1,000 of Insurance	Insurance	Reserves	Reserves Per \$1,000 of Insurance	Insurance	Reserves	Reserves Per \$1,000 of Insurance	

Subtotals of insurance and reserves should agree with those shown on Exhibit 5. Group Life and Credit Life should be shown as separate items.

Net Premiums Current Year Means Valuation Net Annual Premiums In-Force as of the Valuation Date.