State of Illinois
Department of Insurance

To: All Domestic Legal Reserve, Assessment Legal Reserve Life Insurance Companies, and Fraternals
Re: Verification of Life Insurance Policy Reserves as of December 31, 2019

The Department no longer issues Certificates of Valuation for reserves. Illinois enacted revisions to 215 ILCS 5/223, the Illinois Standard Valuation Law, in accordance with changes to the NAIC Model Standard Valuation Law (MDL-820). MDL-820 enables the use of Principle Based Reserves and has now been adopted in almost all states. The modified version of MDL-820 does not include language relating to a “Certificate of Valuation of the Director,” however, it does retain the requirement that the state’s commissioner, “Shall annually value or cause to be valued, the reserve liabilities...”. This latter requirement is satisfied by the commissioner requiring the Actuarial Opinion. Furthermore, MDL-820 provides that, “In lieu of the valuation of the reserves required of a foreign or alien company, the commissioner may accept a valuation made, or caused to be made, by the insurance company supervisory official of any State or other jurisdiction when the valuation complies with the minimum standard” of that state. This provision is satisfied by the statement in the Actuarial Opinion that the reserves, “Meet the requirements of the Insurance Law and regulation of the state of [state of domicile]; and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed.” If the Actuarial Opinion does not contain this language, please contact the Life Actuary of the Illinois Department to discuss how best to respond to any requests from other states.

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 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 2017, 2018, and 2019. 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 2017, 2018, and 2019. 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, 2020.

Brief Outline for Filing Proper Material

1. Two copies of the “Affidavit” (only one need be properly executed).

2. Two copies of the “Three Year Reserve Comparison for Life Insurance.”

Note: Do NOT file with Annual Statement.
Send directly to the Life, Accident and Health Corporate Unit
Attention: Pearl Stanulis, Insurance Analyst

3. 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.

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 Amy Stuart at (217) 782-9694.
STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  

(Name of Company)  

(Domiciled City)  

AFFIDAVIT  

Valuation of policies in force December 31, 2019  

Paid for Basis  

<table>
<thead>
<tr>
<th>LIFE INSURANCE:</th>
<th>Insurance</th>
<th>Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Subdivide according to mortality and interest basis and valuation method.) Reserves and extra benefits should be shown separately in order to facilitate verification.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(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 99999999, TOTAL  
(Should check with entry in Exhibit 5 – Line 99999999, Total).
(Continuation of Affidavit)

Additional Reserves for Accident and Health  
(Exhibit 6)

<table>
<thead>
<tr>
<th>NON-CANCELABLE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Contract Reserves</td>
<td>$___________</td>
</tr>
<tr>
<td>Additional Actuarial Reserves</td>
<td>$___________</td>
</tr>
</tbody>
</table>

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

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Amount of Insurance</td>
<td>$___________</td>
</tr>
<tr>
<td>Policy Reserves</td>
<td>$___________</td>
</tr>
</tbody>
</table>

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 2019, 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 2020.

__________________________ (Signature of Notary)

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RESERVE COMPARISON FOR LIFE INSURANCE

Subdivide according to:
Mortality Table
Interest Assumption
Valuation Method

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE

<table>
<thead>
<tr>
<th>Plan Code</th>
<th>Plan Description</th>
<th>Insurance</th>
<th>Reserves</th>
<th>Reserves Per $1,000 of Insurance</th>
<th>Insurance</th>
<th>Reserves</th>
<th>Reserves Per $1,000 of Insurance</th>
<th>Insurance</th>
<th>Reserves</th>
<th>Reserves Per $1,000 of Insurance</th>
<th>Net Premium Current Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</table>

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.