

TRANSMITTAL SHEET FOR
NOTICE OF INTENDED ACTION

Control 482 Department or Agency Department of Insurance*

Rule No. Rule 482-1-112-.06

Rule Title: Statement of Actuarial Opinion Based on an Asset Adequacy Analysis.

New Amend Repeal Adopt by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? N/A*

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? N/A*

Is there another, less restrictive method of regulation available that could adequately protect the public? N/A*

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree? N/A*

Is the increase in costs, if any, more harmful to the public than the harm that might result from the absence of the proposed rule? N/A*

Are all facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? N/A*

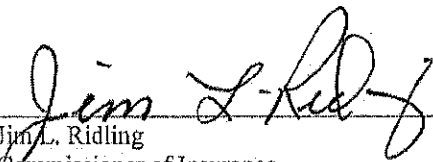
Does the proposed rule have an economic impact? N/A*

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Sections 27-2-17 and 27-7-43, Code of Alabama 1975, and that it complies with all applicable filing requirements of the Alabama Insurance Code.*

Signature of certifying officer


Jim L. Ridling
Commissioner of Insurance

Date: May 20, 2016

*Note: *The Alabama Department of Insurance is exempt from the Alabama Administrative Code & Rules Act pursuant to Section 41-22-2(e), Code of Alabama 1975.*

Alabama Department of Insurance

NOTICE OF INTENDED ACTION

AGENCY NAME: Alabama Department of Insurance

RULE NO. & TITLE: Rule 482-1-112-.06: Statement of Actuarial
Opinion Based on an Asset Adequacy Analysis.

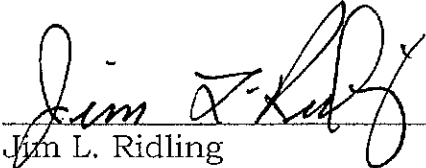
INTENDED ACTION: Amend rule.

SUBSTANCE OF PROPOSED ACTION: The Commissioner of Insurance is proposing to amend the rule regarding the statement of actuarial opinion based on an asset adequacy analysis. The amendment states that any document, material or other information provided to the commissioner in connection with a memorandum in support of an opinion submitted under Section sets forth the manner in which grandfathered exemptions are to be claimed. The amendment will become effective January 1, 2017.

TIME, PLACE, MANNER OF PRESENTING VIEWS: Interested persons may submit data, views, or arguments in writing at any time prior to July 14, 2016, to the Alabama Department of Insurance, Attention: Legal Division, Post Office Box 303351, Montgomery, Alabama 36130-3351, or orally by appearing at the public hearing, Suite 502, RSA Tower, 201 Monroe Street, Montgomery, Alabama, beginning at 10:00 AM, on July 21, 2016.

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:
July 14, 2016

CONTACT PERSON AT AGENCY: Reyn Norman
General Counsel



Jim L. Ridling
Commissioner of Insurance

1 482-1-112-.06 Statement of Actuarial Opinion Based on an Asset Adequacy
2 Analysis.

3 (1) General Description. The statement of actuarial opinion
4 submitted in accordance with this rule shall consist of all of the
5 following:

6 (a) A paragraph identifying the appointed actuary and his or her
7 qualifications (see subparagraph (a) of paragraph (2) this rule).

8 (b) A scope paragraph identifying the subjects on which an opinion is
9 to be expressed and describing the scope of the appointed actuary's work,
10 including a tabulation delineating the reserves and related actuarial items
11 which have been analyzed for asset adequacy and the method of analysis (see
12 subparagraph (b) of paragraph (2) of this rule), and identifying the
13 reserves and related actuarial items covered by the opinion which have not
14 been so analyzed.

15 (c) A reliance paragraph describing those areas, if any, where the
16 appointed actuary has deferred to other experts in developing data,
17 procedures or assumptions (e.g., anticipated cash flows from currently
18 owned assets, including variation in cash flows according to economic
19 scenarios (see subparagraph (c) of paragraph (2) of this rule)), supported
20 by a statement of each such expert in the form prescribed by paragraph (5)
21 of this rule.

22 (d) An opinion paragraph expressing the appointed actuary's opinion
23 with respect to the adequacy of the supporting assets to mature the
24 liabilities (see subparagraph (f) of paragraph (2) of this rule).

25 (e) One or more additional paragraphs will be needed in individual
26 company cases as follows:

27 1. If the appointed actuary considers it necessary to state a
28 qualification of his or her opinion.

29 2. If the appointed actuary must disclose an inconsistency in the
30 method of analysis or basis of asset allocation used at the prior opinion
31 date with that used for this opinion.

32 3. If the appointed actuary must disclose whether additional
33 reserves as of the prior opinion date are released as of this opinion date,
34 and the extent of the release.

35 4. If the appointed actuary chooses to add a paragraph briefly
36 describing the assumptions that form the basis for the actuarial opinion.

37 (2) Recommended Language. The following paragraphs are to be
38 included in the statement of actuarial opinion in accordance with this
39 rule. Language is that which in typical circumstances should be included
40 in a statement of actuarial opinion. The language may be modified as
41 needed to meet the circumstances of a particular case, but the appointed
42 actuary should use language that clearly expresses his or her professional
43 judgment. However, in any event the opinion shall retain all pertinent
44 aspects of the language provided in this rule.

45 (a)1. The opening paragraph should generally indicate the appointed
46 actuary's relationship to the company and his or her qualifications to sign

1 the opinion. For a company actuary, the opening paragraph of the actuarial
 2 opinion should read as follows:

3 "I, [name], am [title] of [insurance company name] and a member
 4 of the American Academy of Actuaries. I was appointed by, or by the
 5 authority of, the Board of Directors of said insurer to render this
 6 opinion as stated in the letter to the Commissioner dated [insert
 7 date]. I meet the Academy qualification standards for rendering the
 8 opinion and am familiar with the valuation requirements applicable to
 9 life and health insurance companies."

10 2. For a consulting actuary, the opening paragraph should contain a
 11 sentence such as the following:

12 "I, [name], a member of the American Academy of Actuaries, am
 13 associated with the firm of [name of consulting firm]. I have been
 14 appointed by, or by the authority of, the Board of Directors of [name
 15 of company] to render this opinion as stated in the letter to the
 16 Commissioner dated [insert date]. I meet the Academy qualification
 17 standards for rendering the opinion and am familiar with the
 18 valuation requirements applicable to life and health insurance
 19 companies."

20 (b) The scope paragraph should include a statement such as the
 21 following:

22 "I have examined the actuarial assumptions and actuarial
 23 methods used in determining reserves and related actuarial items
 24 listed below, as shown in the annual statement of the company, as
 25 prepared for filing with state regulatory officials, as of December
 26 31, 20[]. Tabulated below are those reserves and related actuarial
 27 items which have been subjected to asset adequacy analysis.

Asset Adequacy Tested Amounts - Reserves and Liabilities					
Statement Item	Formula Reserves (1)	Additional Actuarial Reserves (a) (2)	Analysis Method (b)	Other Amount (3)	Total Amount (1)+(2)+(3) (4)
Exhibit 5					
A Life Insurance					
B Annuities					
C Supplementary Contracts Involving Life Contingencies					
D Accidental Death Benefit					
E Disability - Active					
F Disability - Disabled					
G Miscellaneous					
Total (Exhibit 5 Item 1, Page 3)					
Exhibit 6					
A Active Life Reserve					
B Claim Reserve					
Total (Exhibit 6					

Item 2, Page 3)					
Exhibit 7 Premiums and Other Deposit Funds (Column 5, Line 14)					
Guaranteed Interest Contracts (Column 2, Line 14)					
Other (Column 6, Line 14)					
Asset Adequacy Tested Amounts - Reserves and Liabilities					
Statement Item	Formula Reserves (1)	Additional Actuarial Reserves (a) (2)	Analysis Method (b)	Other Amount (3)	Total Amount (1)+(2)+(3) (4)
Supplemental Contracts (Column 3, Line 14)					
Dividend Accumulations or Refunds (Column 4, Line 14)					
Total Exhibit 7 (Column 1, Line 14)					
Exhibit 8 Part 1					
1 Life (Page 3, Line 4.1)					
2 Health (Page 3, Line 4.2)					
Total Exhibit 8, Page 1					
Separate Accounts (Page 3 of the Annual Statement of the Separate Accounts, Lines 1, 2, 3.1, 3.2, 3.3)					
TOTAL RESERVES					

1

IMR (General Account, Page Line)	
(Separate Accounts, Page Line)	
AVR (Page Line)	(c)
Net Deferred and Uncollected Premium	

2
3
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13

Notes: (a) The additional actuarial reserves are the reserves established under subparagraph (b) of paragraph (5) of Rule 482-1-112-.05.

(b) The appointed actuary should indicate the method of analysis, determined in accordance with the standards for asset adequacy analysis referred to in paragraph (4) of Rule 482-1-112-.05, by means of symbols which should be defined in footnotes to the table.

(c) Allocated amount of Asset Valuation Reserve (AVR)."

(c)1. If the appointed actuary has relied on other experts to develop certain portions of the analysis, the reliance paragraph should include a statement such as the following:

1 "I have relied on [name], [title] for [e.g., "anticipated cash
2 flows from currently owned assets, including variations in cash flows
3 according to economic scenarios" or "certain critical aspects of the
4 analysis performed in conjunction with forming my opinion"] as
5 certified in the attached statement. I have reviewed the information
6 relied upon for reasonableness."

7 2. A statement of reliance on other experts should be accompanied by
8 a statement by each of the experts in the form prescribed by paragraph (5)
9 of this rule.

10 (d) If the appointed actuary has examined the underlying asset and
11 liability records, the reliance paragraph should include a statement such
12 as the following:

13 "My examination included such review of the actuarial
14 assumptions and actuarial methods and of the underlying basic asset
15 and liability records and such tests of the actuarial calculations as
16 I considered necessary. I also reconciled the underlying basic asset
17 and liability records to [exhibits and schedules listed as
18 applicable] of the company's current annual statement."

19 (e)1. If the appointed actuary has not examined the underlying
20 records, but has relied upon data (e.g., listings and summaries of policies
21 in force or asset records) prepared by the company, the reliance paragraph
22 should include a statement such as the following:

23 "In forming my opinion on [specify types of reserves] I relied
24 upon data prepared by [name and title of company officer certifying
25 in-force records or other data] as certified in the attached
26 statements. I evaluated that data for reasonableness and
27 consistency. I also reconciled that data to [exhibits and schedules
28 to be listed as applicable] of the company's current annual
29 statement. In other respects, my examination included review of the
30 actuarial assumptions and actuarial methods used and tests of the
31 calculations I considered necessary."

32 2. The section shall be accompanied by a statement by each person
33 relied upon in the form prescribed by paragraph (5) of this rule.

34 (f) The opinion paragraph should include a statement such as the
35 following:

36 "In my opinion the reserves and related actuarial values
37 concerning the statement items identified above:

38 (a) Are computed in accordance with presently accepted
39 actuarial standards consistently applied and are fairly stated, in
40 accordance with sound actuarial principles;

41 (b) Are based on actuarial assumptions that produce reserves at
42 least as great as those called for in any contract provision as to
43 reserve basis and method, and are in accordance with all other
44 contract provisions;

45 (c) Meet the requirements of the Insurance Law and regulation
46 of the state of [state of domicile], and are at least as great as the
47 minimum aggregate amounts required by the state in which this
48 statement is filed;

1 (d) Are computed on the basis of assumptions consistent with
2 those used in computing the corresponding items in the annual
3 statement of the preceding year-end (with any exceptions noted
4 below); and

5 (e) Include provision for all actuarial reserves and related
6 statement items which ought to be established.

7 The reserves and related items, when considered in light of the
8 assets held by the company with respect to such reserves and related
9 actuarial items including, but not limited to, the investment
10 earnings on such assets, and the considerations anticipated to be
11 received and retained under the policies and contracts, make adequate
12 provision, according to presently accepted actuarial standards of
13 practice, for the anticipated cash flows required by the contractual
14 obligations and related expenses of the company. (At the discretion
15 of the commissioner, this language may be omitted for an opinion
16 filed on behalf of a company doing business only in this state and in
17 no other state.)

18 The actuarial methods, considerations, and analyses used in
19 forming my opinion conform to the appropriate Standards of Practice
20 as promulgated by the Actuarial Standards Board, which standards form
21 the basis of this statement of opinion.

22 This opinion is updated annually as required by statute. To
23 the best of my knowledge, there have been no material changes from
24 the applicable date of the annual statement to the date of the
25 rendering of this opinion which should be considered in reviewing
26 this opinion.

27 or

28 The following material changes which occurred between the date
29 of the statement for which this opinion is applicable and the date of
30 this opinion should be considered in reviewing this opinion:
31 (Describe the change or changes.)

32 Note: Choose one of the above two paragraphs, whichever is
33 applicable.

34 The impact of unanticipated events subsequent to the date of
35 this opinion is beyond the scope of this opinion. The analysis of
36 asset adequacy portion of this opinion should be viewed recognizing
37 that the company's future experience may not follow all the
38 assumptions used in the analysis.

39 _____
40 Signature of Appointed Actuary

41 _____
42 Address of Appointed Actuary

43 _____
44 Telephone Number of Appointed Actuary

45 _____
46 Date"

1 (3) Assumptions for New Issues. The adoption for new issues or new
2 claims or other new liabilities of an actuarial assumption that differs
3 from a corresponding assumption used for prior new issues or new claims or
4 other new liabilities is not a change in actuarial assumptions within the
5 meaning of this rule.

6 (4) Adverse Opinions. If the appointed actuary is unable to form an
7 opinion, then he or she shall refuse to issue a statement of actuarial
8 opinion. If the appointed actuary's opinion is adverse or qualified, then
9 he or she shall issue an adverse or qualified actuarial opinion explicitly
10 stating the reasons for the opinion. This statement should follow the
11 scope paragraph and precede the opinion paragraph.

12 (5) Reliance on Data Furnished by Other Persons. If the appointed
13 actuary relies on the certification of others on matters concerning the
14 accuracy and completeness of any data underlying the actuarial opinion, or
15 the appropriateness of any other information used by the appointed actuary
16 in forming the actuarial opinion, the actuarial opinion should so indicate
17 the persons the actuary is relying upon and a precise identification of the
18 items subject to reliance. In addition, the persons on whom the appointed
19 actuary relies shall provide a certification that precisely identifies the
20 items on which the person is providing information and a statement as to
21 the accuracy, completeness or reasonableness, as applicable, of the items.
22 This certification shall include the signature, title, company, address and
23 telephone number of the person rendering the certification, as well as the
24 date on which it is signed.

25 (6) Alternate Option.

26 (a) The Standard Valuation Law gives the Commissioner broad authority
27 to accept the valuation of a foreign insurer when that valuation meets the
28 requirements applicable to a company domiciled in this state in the
29 aggregate. As an alternative to the statement set forth in paragraph (c)
30 of opinion paragraph in subparagraph (f) of paragraph (2) above, the
31 Commissioner may make one or more of the following additional approaches
32 available to the opining actuary:

33 1. A statement that the reserves "meet the requirements of the
34 insurance laws and regulations of the State of [state of domicile] and the
35 formal written standards and conditions of this state for filing an opinion
36 based on the law of the state of domicile." If the Commissioner chooses to
37 allow this alternative, a formal written list of standards and conditions
38 shall be made available. If a company chooses to use this alternative, the
39 standards and conditions in effect on July 1 of a calendar year shall apply
40 to statements for that calendar year, and they shall remain in effect until
41 they are revised or revoked. If no list is available, this alternative is
42 not available.

43 2. A statement that the reserves "meet the requirements of the
44 insurance laws and regulations of the State of [state of domicile] and I
45 have verified that the company's request to file an opinion based on the
46 law of the state of domicile has been approved and that any conditions
47 required by the commissioner for approval of that request have been met."
48 If the Commissioner chooses to allow this alternative, a formal written
49 statement of such allowance shall be issued no later than March 31 of the
50 year it is first effective. It shall remain valid until rescinded or
51 modified by the Commissioner. The rescission or modifications shall be

1 issued no later than March 31 of the year they are first effective.
 2 Subsequent to that statement being issued, if a company chooses to use this
 3 alternative, the company shall file a request to do so, along with
 4 justification for its use, no later than April 30 of the year of the
 5 opinion to be filed. The request shall be deemed approved on October 1 of
 6 that year if the Commissioner has not denied the request by that date.

7 3. A statement that the reserves "meet the requirements of the
 8 insurance laws and regulations of the State of [state of domicile] and I
 9 have submitted the required comparison as specified by this state."

10 (i) If the Commissioner chooses to allow this alternative, a formal
 11 written list of products (to be added to the table in subparagraph (ii)
 12 below) for which the required comparison shall be provided will be
 13 published. If a company chooses to use this alternative, the list in
 14 effect on July 1 of a calendar year shall apply to statements for that
 15 calendar year, and it shall remain in effect until it is revised or
 16 revoked. If no list is available, this alternative is not available.

17 (ii) If a company desires to use this alternative, the appointed
 18 actuary shall provide a comparison of the gross nationwide reserves held to
 19 the gross nationwide reserves that would be held under NAIC codification
 20 standards. Gross nationwide reserves are the total reserves calculated for
 21 the total company in force business directly sold and assumed, indifferent
 22 to the state in which the risk resides, without reduction for reinsurance
 23 ceded. The information provided shall be at least:

(1) Product Type	(2) Death Benefit or Account Value	(3) Reserves Held	(4) Codification Reserves	(5) Codification Standard

24 (iii) The information listed shall include all products identified by
 25 either the state of filing or any other states subscribing to this
 26 alternative.

27 (iv) If there is no codification standard for the type of product or
 28 risk in force or if the codification standard does not directly address the
 29 type of product or risk in force, the appointed actuary shall provide
 30 detailed disclosure of the specific method and assumptions used in
 31 determining the reserves held.

32 (v) The comparison provided by the company is to be kept confidential
 33 to the same extent and under the same conditions as the actuarial
 34 memorandum.

35 (b) Notwithstanding the above, the Commissioner may reject an opinion
 36 based on the laws and regulations of the state of domicile and require an
 37 opinion based on the laws of this state. If a company is unable to provide
 38 the opinion within sixty (60) days of the request or such other period of
 39 time determined by the Commissioner after consultation with the company,

1 the Commissioner may contract an independent actuary at the company's
2 expense to prepare and file the opinion.

3 (c) Any document, material or other information provided to the
4 commissioner in connection with a memorandum in support of an opinion
5 submitted under Section 27-36A-4 but which is determined by the
6 commissioner to be unrelated to the memorandum will be rejected and
7 returned to the insurer. Such returned document, material or other
8 information will then not be considered as filed in connection with the
9 opinion.

10 **Author:** Commissioner of Insurance

11 **Statutory Authority:** Code of Alabama 1975, §§ 27-2-17, 27-36A-1, et seq.

12 **History:** New September 23, 1996, Effective October 3, 1996; Revised

13 November 25, 2003, Effective January 1, 2004; Revised _____, 2016,

14 Effective January 1, 2017