**Section 1408.ILLUSTRATION A Statement of Actuarial Opinion Based on Asset Adequacy Analysis Format**

a) General Description

The statement of actuarial opinion submitted in accordance with Section 1408.70 of this Part shall consist of:

1) A paragraph identifying the appointed actuary and his or her qualifications (subsection (b)(1));

2) A scope paragraph identifying the subjects on which an opinion is to be expressed and describing the scope of the appointed actuary's work, including a tabulation delineating the reserves and related actuarial items that have been analyzed for asset adequacy and the method of analysis (see subsection (b)(2)), and identifying the reserves and related actuarial items covered by the opinion that have not been so analyzed;

3) A reliance paragraph describing those areas, if any, where the appointed actuary has deferred to other experts in developing data, procedures or assumptions (e.g., anticipated cash flows from currently owned assets), including variation in cash flows according to economic scenarios (see subsection (b)(3)), supported by a statement of each such expert in the form prescribed by subsection (e);

4) An opinion paragraph expressing the appointed actuary's opinion with respect to the adequacy of the supporting assets to mature the liabilities (see subsection (b)(6)); and

5) One or more additional paragraphs, in individual company cases as follows:

A) If the appointed actuary considers it necessary to state a qualification of his or her opinion;

B) If the appointed actuary must disclose an inconsistency in the method of analysis or basis of asset allocation used at the prior opinion date with that used for this opinion;

C) If the appointed actuary must disclose whether additional reserves as of the prior opinion date are released as of this opinion date, and the extent of the release; or

D) If the appointed actuary chooses to add a paragraph briefly describing the assumptions that form the basis for the actuarial opinion.

b) Recommended Language

The following paragraphs are to be included in the statement of actuarial opinion in accordance with Section 1408.70 of this Part. The language is that which, in typical circumstances, should be included in a statement of actuarial opinion. The language may be modified as needed to meet the circumstances of a particular case, but the appointed actuary should use language that clearly expresses his or her professional judgment. However, in any event, the opinion shall retain all pertinent aspects of the language provided in this subsection.

1) Opening Paragraph

The opening paragraph should generally indicate the appointed actuary's relationship to the company and his or her qualifications to sign the opinion.

A) For a company actuary, the opening paragraph of the actuarial opinion should include a statement such as: "I, [name], am [title] of [insurance company name] and a member of the American Academy of Actuaries. I was appointed by, or by the authority of, the Board of Directors of said insurer to render this opinion as stated in a letter to the Director dated [insert date]. I meet the Academy qualification standards for rendering the opinion and am familiar with the valuation requirements applicable to life and health insurance companies."

B) For a consulting actuary, the opening paragraph should include a statement such as: "I, [name], a member of the American Academy of Actuaries, am associated with the firm of [name of consulting firm]. I have been appointed by, or by the authority of, the Board of Directors of [name of company] to render this opinion as stated in a letter to the Director dated [insert date]. I meet the Academy qualification standards for rendering the opinion and am familiar with the valuation requirements applicable to life and health insurance companies."

2) Scope Paragraph

The scope paragraph should include a statement such as the following, accompanied by the appropriate table of tested amounts: "I have examined the actuarial assumptions and actuarial methods used in determining reserves and related actuarial items listed below, as shown in the annual statement of the company, as prepared for filing with state regulatory officials, as of December 31, 20[ ]. Tabulated below are those reserves and related actuarial items which have been subjected to asset adequacy analysis."

For companies filing a Life Annual Financial Statement, the following table shall be used:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **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**  A Premiums and Other Deposit Funds (Column 6, Line 14) | |  |  |  |  |  | |
| B Guaranteed Interest Contracts (Column 2, Line 14) | |  |  |  |  |  | |
| C Annuities Certain (Column 3, Line 14) | |  |  |  |  |  | |
| D Supplemental Contracts (Column 4, Line 14) | |  |  |  |  |  | |
| E Dividend Accumulations or Refunds (Column 5, Line 14) | |  |  |  |  |  | |
| **Total** (Exhibit 7,  Column 1, Line 14) | |  |  |  |  |  | |
| **Exhibit 8, Part 1**  A Life (Page 3, Line 4.1) | |  |  |  |  |  | |
| B Health (Page 3, Line 4.2) | |  |  |  |  |  | |
| **Total** (Exhibit 8, Part 1) | |  |  |  |  |  | |
| **Separate Accounts**  (Page 3 of the Annual Statement of the Separate Accounts, Lines 1, 2, 3.1, 3.2, 3.3) | |  |  |  |  |  | |
| **TOTAL RESERVES** | |  |  |  |  |  | |
| IMR (General Account, Page \_\_\_\_, Line\_\_\_\_) | | | |  | | | |
| (Separate Accounts, Page \_\_\_\_, Line\_\_\_\_) | | | |  | | | |
| AVR (Page\_\_\_\_, Line \_\_\_\_) | | | | (c) | | | |
| Net Deferred and Uncollected Premium | | | |  | | | |
| (a) **Note:** The additional actuarial reserves are the reserves established under Section 1408.40(e)(2).  (b) **Note:** The appointed actuary should indicate the method of analysis, determined in accordance with the standards for asset adequacy analysis referred to in Section 1408.40(d), by means of symbols that should be defined in footnotes to the table.  (c) **Note:** Allocated amount of Asset Valuation Reserve (AVR). | | | | | |

Or

For companies filing a Health Annual Financial Statement, the following table shall be used:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **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)** | |
| A Claims Unpaid (Page 3, Line 1) | |  |  |  |  |  | |
| B Accrued Medical Incentive Pool and Bonus Payments (Page 3, Line 2) | |  |  |  |  |  | |
| C Unpaid Claims Adjustment Expenses (Page 3, Line 3) | |  |  |  |  |  | |
| D Aggregate Health Policy Reserves (Page 3, Line 4) | |  |  |  |  |  | |
| E Aggregate Life Policy Reserves (Page 3, Line 5) | |  |  |  |  |  | |
| F Total Supplemental Exhibit 7 | |  |  |  |  |  | |
| G Aggregate Health Claim Reserves (Page 3, Line 7) | |  |  |  |  |  | |
| H Experience Rated Refunds | |  |  |  |  |  | |
| I Actuarial Liabilities included in Page 3, Line 21 | |  |  |  |  |  | |
| **TOTAL RESERVES** | |  |  |  |  |  | |
| Uncollected Premiums and Agents' Balances in the Course of Collection (Page 2, Line 13.1, Column 3) | |  |  |  |  |  | |
| (a) **Note:** The additional actuarial reserves are the reserves established under Section 1408.40(e)(2).  (b) **Note:** The appointed actuary should indicate the method of analysis, determined in accordance with the standards for asset adequacy analysis referred to in Section 1408.40(d), by means of symbols that should be defined in footnotes to the table. | | | | | |

3) Reliance Paragraph

A) 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: "I have relied on [name], [title] for [e.g., "anticipated cash flows from currently owned assets, including variations in cash flows according to economic scenarios" or "certain critical aspects of the analysis performed in conjunction with forming my opinion"], as certified in the attached statement. I have reviewed the information relied upon for reasonableness." A statement of reliance on other experts should be accompanied by a statement by each of the experts in the form prescribed by subsection (e).

B) If the appointed actuary has examined the underlying asset and liability records, the reliance paragraph should include a statement such as: "My examination included such review of the actuarial assumptions and actuarial methods and of the underlying basic asset and liability records and such tests of the actuarial calculations as I considered necessary. I also reconciled the underlying basic asset and liability records to [exhibits and schedules listed as applicable] of the company's current annual statement."

C) If the appointed actuary has not examined the underlying records, but has relied upon data (e.g., listings and summaries of policies in force and/or asset records prepared by the company), the reliance paragraph should include a statement such as: "In forming my opinion on [specify types of reserves], I relied upon data prepared by [name and title of company officer certifying in force records or other data] as certified in the attached statements. I evaluated that data for reasonableness and consistency. I also reconciled that data to [exhibits and schedules to be listed as applicable] of the company's current annual statement. In other respects, my examination included review of the actuarial assumptions and actuarial methods used and tests of the calculations I considered necessary." The reliance paragraph shall be accompanied by a statement by each person relied upon in the form prescribed by subsection (e).

4) Opinion Paragraph

The opinion paragraph should include statements such as:

A) "In my opinion the reserves and related actuarial values concerning the statement items found in the Asset Adequacy Test Amounts − Reserves and Liabilities table identified above:

i) Are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated, in accordance with sound actuarial principles;

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

iii) Meet the requirements of the Insurance Law and regulations 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;

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

v) Include provision for all actuarial reserves and related statement items that ought to be established."

B) "The reserves and related items, when considered in light of the assets held by the company with respect to such reserves and related actuarial items, including, but not limited to, the investment earnings on the assets, and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision, according to presently accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the company." This language may be omitted for an opinion filed on behalf of a company doing business only in this State and in no other state. The Director may require any company otherwise exempt to submit a statement of actuarial opinion, and to prepare a memorandum in support of that opinion, based on asset adequacy if, in the opinion of the Director, an asset adequacy analysis is necessary.

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

i) "This opinion is updated annually as required by statute. To the best of my knowledge, there have been no material changes from the applicable date of the annual statement to the date of the rendering of this opinion that should be considered in reviewing this opinion"; or

ii) "The following material change(s) that occurred between the date of the statement for which this opinion is applicable and the date of this opinion should be considered in reviewing this opinion:" (Describe the change or changes.)

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

|  |
| --- |
| Signature of Appointed Actuary |
|  |
| Printed Name of Appointed Actuary |
|  |
| Address of Appointed Actuary |
|  |
| Telephone Number of Appointed Actuary |
|  |
| E-mail Address of Appointed Actuary |
|  |
| Date" |

c) Assumptions for New Issues

The adoption for new issues or new claims or other new liabilities of an actuarial assumption that differs from a corresponding assumption used for prior new issues or new claims or other new liabilities is not a change in actuarial assumptions within the meaning of Section 1408.70 and this Illustration A.

d) Adverse Opinions

If the appointed actuary is unable to form an opinion, then he or she shall refuse to issue a statement of actuarial opinion. If the appointed actuary's opinion is adverse or qualified, then he or she shall issue an adverse or qualified actuarial opinion explicitly stating the reasons for the opinion. This statement should follow the scope paragraph and precede the opinion paragraph.

e) Reliance on Information Furnished by Other Persons

If the appointed actuary relies on the certification of others on matters concerning the accuracy or completeness of any data underlying the actuarial opinion, or the appropriateness of any other information used by the appointed actuary in forming the actuarial opinion, the actuarial opinion should indicate the persons the actuary is relying upon and a precise identification of the items subject to reliance. In addition, the persons on whom the appointed actuary relies shall provide a certification that precisely identifies the items on which the person is providing information and a statement as to the accuracy, completeness or reasonableness, as applicable, of the items. This certification shall include the signature, title, company, address and telephone number of the person rendering the certification, as well as the date on which it is signed.

(Source: Amended at 32 Ill. Reg. 19670, effective January 1, 2009)