

RULE AND REGULATION 64
ACTUARIAL OPINION AND MEMORANDUM

RECEIVED
STATE OF ARKANSAS
DEPARTMENT OF REVENUE
FILED

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21 SECTION 1. Purpose

22 The purpose of this Regulation is to prescribe:

23 A. Guidelines and standards for statements of actuarial opinion which
24 are to be submitted in accordance with Section 3 of the NAIC Model
25 Standard Valuation Law, Ark. Code Ann. §23-84-112, as amended by Act 621
26 of 1995, and for memoranda in support thereof;

27 B. Guidelines and standards for statements of actuarial opinion which
28 are to be submitted when a company is exempt from Section 3 (B) of the
29 NAIC Model Standard Valuation Law, Ark. Code Ann. §23-84-112, as amended
30 by Act 621 of 1995; and

31 C. Guidelines (Rules) applicable to the appointment of an appointed
32 actuary.

33 SECTION 2. Authority

34 This Regulation is issued pursuant to the authority vested in the Arkansas
35 Insurance Commissioner under Ark. Code Ann. §§ 23-84-112, as amended by
36 Act 621 of 1995, effective March 14, 1995; 23-61-108; and 25-15-201, et
37 seq. See also the Commissioner's rules and regulations with related
38 subject-matter on actuarial opinions, reserve standards and valuation
39 methods, including the Commissioner's Rule 22, "Reserve Standards for
40 Valuation of Individual Disability Policies"; Commissioner's Rule 34,
41 "Universal Life Insurance", and the Commissioner's Rules 38, 39 and 40, on
42 Mortality Tables, and others if and as applicable.

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DEPARTMENT OF REVENUE
STATE OF ARKANSAS
MAY 19 1995
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1 SECTION 3. Scope and Application

2 This Regulation shall apply to all licensed life and/or disability
3 (accident and health) insurance companies and fraternal benefit societies
4 doing business in this State and to all licensed life and/or disability
5 (accident and health) insurance companies and fraternal benefit societies
6 which are authorized to reinsure life insurance, annuities or disability
7 (accident and health) insurance business in this State. Pursuant to Act
8 621 of 1995 in pertinent part, the actuarial opinion required by this Rule
9 shall apply to all business in force of the companies, including but not
10 limited to individual and group life and disability (health) insurance
11 plans. This Regulation shall be applicable to all annual statements
12 filed with the office of the Commissioner after December 1, 1995, the
13 effective date of this Regulation.

14 Except with respect to companies which are exempted pursuant to Section 6
15 of this Regulation, each company's (a) statement of opinion on the
16 adequacy of the reserves and related actuarial items based on an asset
17 adequacy analysis in accordance with Section 8 of this Regulation; and a
18 memorandum in support thereof in accordance with Section 9 of this
19 Regulation, shall be required each year. Any company so exempted must
20 file a statement of actuarial opinion pursuant to Section 7 of this
21 Regulation. Notwithstanding the foregoing, the Commissioner may require
22 any company otherwise exempt pursuant to this Regulation to submit a
23 statement of actuarial opinion and to prepare a memorandum in support
24 thereof in accordance with Sections 8 and 9 of this Regulation if, in the
25 opinion of the Commissioner, an asset adequacy analysis is necessary with
26 respect to the company.

27 SECTION 4. Definitions

28 A. "Actuarial Opinion":

- 29 1. With respect to Section 8, 9 or 10, the opinion of an
30 Appointed Actuary regarding the adequacy of the reserves and related
31 actuarial items based on an asset adequacy test in accordance with Section
32 8 of this Regulation and with presently accepted Actuarial Standards; and
33 2. With respect to Section 7, the opinion of an Appointed Actuary
34 regarding the calculation of reserves and related items, in accordance
35 with Section 7 of this Regulation and with those presently accepted
36 Actuarial Standards which specifically relate to this opinion.

37 B. "Actuarial Standards Board" is the board established by the
38 American Academy of Actuaries to develop and promulgate standards of
39 actuarial practice.

40 C. "Annual Statement" means that statement required by Ark. Code Ann.
41 §23-63-216 of the Insurance Code to be filed by the company with the
42 office of the Commissioner annually.

43 D. "Appointed Actuary" means any individual who is appointed or
44 retained in accordance with the requirements set forth in Section 5(C) of
45 this Regulation to provide the actuarial opinion and supporting memorandum

1 as required by Section 3 of the NAIC Model Standard Valuation Law, Ark.
2 Code Ann. §23-84-112, as amended by Act 621 of 1995.

3 E. "Asset Adequacy Analysis" means an analysis that meets the
4 standards and other requirements referred to in Section 5(D) this
5 Regulation. It may take many forms, including, but not limited to, cash
6 flow testing, sensitivity testing or applications of risk theory.

7 F. "Commissioner" means the Insurance Commissioner of this State.

8 G. "Company" means a life and/or disability insurance company,
9 fraternal benefit society or reinsurer subject to the provisions of this
10 Regulation.

11 H. "NAIC" means the National Association of Insurance Commissioners.

12 I. "Non-Investment Grade Bonds" are those designated as Classes 3, 4,
13 5 or 6 by the NAIC Securities Valuation Office.

14 J. "Qualified Actuary" means any individual who meets the
15 requirements set forth in Section 5(B) of this Regulation. Due to the
16 provisions of Ark. Code Ann. §23-84-112(D)(5), as amended by Act 621 of
17 1995, the term "qualified actuaries" as defined in the Commissioner's Rule
18 and Regulation 16, "Actuaries", shall not be deemed to be applicable to
19 and shall not apply to "qualified actuaries" as defined in and complying
20 with the provisions of this Rule.

21 K. "Standard Valuation Law" means the NAIC Model Law codified under
22 Ark. Code Ann. §§23-84-101, et seq., as amended by Act 621 of 1995 and
23 Sections 17, 18 and 19 of Act 1272 of 1995.

24 SECTION 5. General Requirements

25 A. Submission of Statement of Actuarial Opinion

26 1. There is to be included on or attached to Page 1 of the annual
27 statement for each year commencing with 1995, the year in which this
28 Regulation becomes effective, the statement of an appointed actuary,
29 entitled "Statement of Actuarial Opinion," setting forth an opinion
30 relating to reserves and related actuarial items held in support of
31 policies and contracts, in accordance with Section 8 of this Regulation;
32 provided, however, that any company exempted pursuant to Section 6 of this
33 Regulation from submitting a statement of actuarial opinion in accordance
34 with Section 8 of this Regulation shall include on or attach to Page 1 of
35 the annual statement a statement of actuarial opinion rendered by an
36 appointed actuary in accordance with Section 7 of this Regulation.

37 2. If in a previous year a company provided a statement of
38 actuarial opinion in accordance with Section 7 of this Regulation, and in
39 a current year fails the exemption criteria of Sections 6 (C)(1), 6(C)(2)
40 or 6(C)(5) to again provide an actuarial opinion in accordance with
41 Section 7, the statement of actuarial opinion in accordance with Section 8
42 shall not be required until August 1st following the preceding December
43 31st date of the annual statement. In this instance, the company shall
44 provide a statement of actuarial opinion in accordance with Section 7 with

1 appropriate qualification noting the intent to subsequently provide a
2 statement of actuarial opinion in accordance with Section 8.

3 3. In the case of a statement of actuarial opinion required to
4 be submitted by a foreign or alien company, the Commissioner may accept
5 the statement of actuarial opinion filed by such company with the
6 insurance supervisory regulator of another state if the Commissioner
7 determines that the opinion reasonably meets the requirements applicable
8 to a company domiciled in this State.

9 4. Upon written request by the company, the Commissioner may
10 grant an extension of the date for submission of the statement of
11 actuarial opinion.

12 5. Pursuant to the provisions of Ark. Code Ann. §23-84-112(D)(8),
13 any memoranda or other material, provided to the Commissioner in support
14 of the actuarial opinion, shall be kept confidential; and shall only be
15 released under the circumstances described specifically in Subdivision (8)
16 of Subsection (D) cited above.

17 **B. A "Qualified Actuary" is an individual who:**

18 1. Is a member in good standing of the American Academy of
19 Actuaries; and

20 2. Is qualified to sign statements of actuarial opinion for life
21 and health insurance company annual statements in accordance with the
22 American Academy of Actuaries qualification standards for actuaries
23 signing such statements;

24 3. Is familiar with the valuation requirements applicable to life
25 and health insurance companies; and

26 4. Has not been found by the Commissioner, or if so found has
27 subsequently been reinstated as a qualified actuary, following appropriate
28 notice and hearing to have:

29 a. Violated any provision of, or any obligation imposed by,
30 the Arkansas Insurance Code or other law in the course of his or her
31 dealings as a qualified actuary; or

32 b. Been found guilty of fraudulent or dishonest practices; or

33 c. Demonstrated his or her incompetency, lack of cooperation,
34 or untrustworthiness to act as a qualified actuary; or

35 d. Submitted to the Commissioner during the past five (5)
36 years pursuant to this regulation an actuarial opinion or memorandum that
37 the Commissioner rejected because it did not meet the provisions of this
38 regulation including standards set by the Actuarial Standards Board; or

39 e. Resigned or been removed as an actuary within the past five
40 (5) years as a result of acts or omissions indicated in any adverse report
41 on examination or as a result of failure to adhere to generally acceptable
42 actuarial standards; and

43 5. Has not failed to notify the Commissioner of any action taken
44 by any Commissioner of any other state similar to that under Paragraph (4)
45 above.

46 **C. An "Appointed Actuary" is a qualified actuary who is appointed or**
47 retained to prepare the Statement of Actuarial Opinion required by this
48 Regulation; either directly by or by the authority of the board of
49 directors through an executive officer of the company. The company shall
50 give the Commissioner timely written notice of the:

51 1. name;

52 2. title;

1 3. the name of the firm in the case of a consulting actuary; and
2 4. the manner of appointment or retention of each person
3 appointed or retained by the company as an appointed actuary.
4 The notice shall state that the person meets the requirements set
5 forth in Section 5(B). Once notice is furnished, no further notice is
6 required with respect to this person, provided that the company shall give
7 the Commissioner timely written notice in the event the actuary ceases to
8 be appointed or retained as an appointed actuary or to meet the
9 requirements set forth in Section 5(B). If any person appointed or
10 retained as an appointed actuary replaces a previously appointed actuary,
11 the notice shall so state and give the reasons for replacement.

12 **D. Standards for Asset Adequacy Analysis**

13 The asset adequacy analysis required by this Regulation:

14 1. Shall conform to the Standards of Practice as promulgated
15 from time to time by the Actuarial Standards Board and on any additional
16 standards under this Regulation, which standards are to form the basis of
17 the statement of actuarial opinion in accordance with Section 8 of this
18 Regulation; and

19 2. Shall be based on methods of analysis as are deemed
20 appropriate for such purposes by the Actuarial Standards Board.

21 **E. Liabilities to be Covered**

22 1. Under authority of Section 3 of the NAIC Model Standard
23 Valuation Law, Ark. Code Ann. §23-84-112, as amended by Act 621 of 1995,
24 the statement of actuarial opinion shall apply to all in force business on
25 the statement date regardless of when or where issued, e.g., reserves of
26 Exhibits 8, 9 and 10, and claim liabilities in Exhibit 11, Part I and
27 equivalent items in the separate account statement or statements.

28 2. If the appointed actuary determines as the result of asset
29 adequacy analysis that a reserve should be held in addition to the
30 aggregate reserve held by the company and calculated in accordance with
31 methods set forth in Sections 5, 5(a), 8, 9 and 10 of the Standard
32 Valuation Law, Ark. Code Ann. §§23-84-101, et seq., as amended, the
33 company shall establish such additional reserve.

34 3. For years ending prior to December 31, 1996, the company may,
35 in lieu of establishing the full amount of the additional reserve in the
36 annual statement for that year, set up an additional reserve in an amount
37 not less than the following:

38 a. December 31, 1995. The additional reserve divided by
39 three (3).

40 b. December 31, 1996. Two (2) times the additional reserve
41 divided by three (3).

42 4. Additional reserves established under Paragraphs 2 or 3 above
43 and deemed not necessary in subsequent years may be released. Any amounts
44 released must be disclosed in the actuarial opinion for the applicable
45 year. The release of such reserves would not be deemed an adoption of a
46 lower standard of valuation.

47 **SECTION 6. Required Opinions**

48 **A. General**

49 In accordance with Section 3 of the NAIC Model Standard Valuation Law,

1 Ark. Code Ann. §23-84-112, as amended by Act 621 of 1995, every company
2 doing business in this State shall annually submit the opinion of an
3 appointed actuary as provided for by this Regulation. The type of opinion
4 submitted shall be determined by the provisions set forth in this Section
5 6 and shall be in accordance with the applicable provisions in this
6 Regulation.

7 **B. Company Categories**

8 For purposes of this Regulation, companies shall be classified as
9 follows based on the admitted assets as of the end of the calendar year
10 for which the actuarial opinion is applicable:

11 1. Category A shall consist of those companies whose admitted
12 assets do not exceed \$20 million;

13 2. Category B shall consist of those companies whose admitted
14 assets exceed \$20 million but do not exceed \$100 million;

15 3. Category C shall consist of those companies whose admitted
16 assets exceed \$100 million but do not exceed \$500 million; and

17 4. Category D shall consist of those companies whose admitted
18 assets exceed \$500 million.

19 **C. Exemption Eligibility Tests**

20 1. Any Category A company that, for any year commencing with
21 1995, the year in which this Regulation becomes effective, meets all of
22 the following criteria shall be eligible for exemption from submission of
23 a statement of actuarial opinion in accordance with Section 8 of this
24 Regulation for the year in which these criteria are met. The ratios in
25 (a), (b) and (c) below shall be calculated based on amounts as of the end
26 of the calendar year for which the actuarial opinion is applicable.

27 a. The ratio of the sum of capital and surplus to the sum of
28 cash and invested assets is at least equal to .10.

29 b. The ratio of the sum of the reserves and liabilities for
30 annuities and deposits to the total admitted assets is less than
31 .30.

32 c. The ratio of the book value of the non-investment grade
33 bonds to the sum of capital and surplus is less than .50.

34 d. The Examiner Team for the NAIC has not designated the
35 company as a first priority company in any of the two (2) calendar
36 years preceding the calendar year for which the actuarial opinion
37 is applicable, or a second priority company in each of the two (2)
38 calendar years preceding the calendar year for which the actuarial
39 opinion is applicable, or the company has resolved the first or
40 second priority status to the satisfaction of the Commissioner of
41 its state of domicile and the Commissioner has so notified the
42 chair of the NAIC Life and Health Actuarial Task Force and the
43 NAIC Staff and Support Office.

44 2. Any Category B company that, for any year commencing with
45 1995, the year in which this Regulation becomes effective, meets all of
46 the following criteria shall be eligible for exemption from submission of
47 a statement of actuarial opinion in accordance with Section 8 of this
48 Regulation for the year in which the criteria are met. The ratios in (a),
49 (b) and (c) below shall be calculated based on amounts as of the end of
50 the calendar year for which the actuarial opinion is applicable.

51 a. The ratio of the sum of capital and surplus to the sum of
52 cash and invested assets is at least equal to .07.

1 b. The ratio of the sum of the reserves and liabilities for
2 annuities and deposits to the total admitted assets is less than
3 .40.

4 c. The ratio of the book value of the non-investment grade
5 bonds to the sum of capital and surplus is less than .50.

6 d. The Examiner Team for the NAIC has not designated the
7 company as a first priority company in any of the two (2) calendar
8 years preceding the calendar year for which the actuarial opinion
9 is applicable, or a second priority company in each of the two (2)
10 calendar years preceding the calendar year for which the actuarial
11 opinion is applicable, or the company has resolved the first or
12 second priority status to the satisfaction of the Commissioner of
13 its state of domicile and the Commissioner has so notified the
14 chair of the NAIC Life and Health Actuarial Task Force and the
15 NAIC Staff and Support Office.

16 3. Any Category A or Category B company that meets all of the
17 criteria set forth in Paragraph 1 or 2 of this subsection, whichever is
18 applicable, is exempted from submission of a statement of actuarial
19 opinion in accordance with Section 8 of this Regulation unless the
20 Commissioner specifically indicates to the company that the exemption is
21 not to be taken.

22 4. Any Category A or Category B company that, for any year
23 commencing with 1995, the year in which this Regulation becomes effective,
24 is not exempted under Paragraph (3) of this subsection shall be required
25 to submit a statement of actuarial opinion in accordance with Section 8
26 of this Regulation for the year for which it is not exempt.

27 5. Any Category C company that, after submitting an opinion in
28 accordance with Section 8 of this Regulation, meets all of the following
29 criteria shall not be required, unless required in accordance with
30 Paragraph 6 below, to submit a statement of actuarial opinion in
31 accordance with Section 8 of this Regulation more frequently than every
32 third year. Any Category C company which fails to meet all of the
33 following criteria for any year shall submit a statement of actuarial
34 opinion in accordance with Section 8 of this Regulation for that year.
35 The ratios in a., b. and c. below shall be calculated based on amounts as
36 of the end of the calendar year for which the actuarial opinion is
37 applicable.

38 a. The ratio of the sum of capital and surplus to the sum of
39 cash and invested assets is at least equal to .05.

40 b. The ratio of the sum of the reserves and liabilities for
41 annuities and deposits to the total admitted assets is less than
42 .50.

43 c. The ratio of the book value of the non-investment grade
44 bonds to the sum of the capital and surplus is less than .50.

45 d. The Examiner Team for the NAIC has not designated the
46 company as a first priority company in any of the two (2) calendar
47 years preceding the calendar year for which the actuarial opinion
48 is applicable, or a second priority company in each of the two (2)
49 calendar years preceding the calendar year for which the actuarial
50 opinion is applicable, or the company has resolved the first or
51 second priority status to the satisfaction of the Commissioner of
52 its state of domicile and the Commissioner has so notified the
53 chair of the NAIC Life and Health Actuarial Task Force and the
54 NAIC Staff and Support Office.

1 6. Any company which is not required by this Section 6 to submit
2 a statement of actuarial opinion in accordance with Section 8 of this
3 Regulation for any year shall submit a statement of actuarial opinion in
4 accordance with Section 7 of this Regulation for that year unless as
5 provided for by the second paragraph of Section 3 of this Regulation the
6 Commissioner requires a statement of actuarial opinion in accordance with
7 Section 8 of this Regulation.

8 **D. Large Companies**

9 Every Category D company shall submit a statement of actuarial opinion
10 in accordance with Section 8 of this Regulation for each year commencing
11 with 1995, the year in which this Regulation becomes effective.

12 **SECTION 7. Statement of Actuarial Opinion Not Including an Asset Adequacy**
13 **Analysis**

14 **A. General Description**

15 The statement of actuarial opinion required by this section shall
16 consist of a paragraph identifying the appointed actuary and his or her
17 qualifications; a regulatory authority paragraph stating that the company
18 is exempt pursuant to this Regulation from submitting a statement of
19 actuarial opinion based on an asset adequacy analysis and that the
20 opinion, which is not based on an asset adequacy analysis, is rendered in
21 accordance with Section 7 of this Regulation; a scope paragraph
22 identifying the subjects on which the opinion is to be expressed and
23 describing the scope of the appointed actuary's work; and an opinion
24 paragraph expressing the appointed actuary's opinion as required by
25 Section 3 of the NAIC Model Standard Valuation Law, Ark. Code Ann.
26 §23-84-112, as amended by Act 621 of 1995.

27 **B. Recommended Language**

28 The following language provided is that which in typical
29 circumstances would be included in a statement of actuarial opinion in
30 accordance with this section. The language may be modified as needed to
31 meet the circumstances of a particular case, but the appointed actuary
32 should use language which clearly expresses his or her professional
33 judgment. However, in any event the opinion shall retain all pertinent
34 aspects of the language provided in Section 7.

35 1. The opening paragraph should indicate the appointed actuary's
36 relationship to the company. For a company actuary, the opening paragraph
37 of the actuarial opinion should read as follows:

38 "I, [name of actuary], am [title] of [name of company] and a
39 member of the American Academy of Actuaries. I was
40 appointed by, or by the authority of, the Board of Directors
41 of said insurer to render this opinion as stated in the
42 letter to the Commissioner dated [insert date]. I meet the
43 Academy qualification standards for rendering the opinion
44 and am familiar with the valuation requirements applicable
45 to life and health companies."

46 For a consulting actuary, the opening paragraph of the actuarial
47 opinion should contain a sentence such as:

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

10 2. The regulatory authority paragraph should include a statement
11 such as the following:

12 "Said company is exempt pursuant to Regulation 64 of the
13 Arkansas Insurance Department from submitting a statement
14 of actuarial opinion based on an asset adequacy analysis.
15 This opinion, which is not based on an asset adequacy
16 analysis, is rendered in accordance with Section 7 of the
17 Regulation."

18 3. The scope paragraph should contain a sentence such as the
19 following:

20
21 "I have examined the actuarial assumptions and actuarial
22 methods used in determining reserves and related actuarial
23 items listed below, as shown in the annual statement of the
24 company, as prepared for filing with state regulatory
25 officials, as of December 31, []."

26 The paragraph should list items and amounts with respect to which the
27 appointed actuary is expressing an opinion. The list should include but
28 not be necessarily limited to:

- 29 a. Aggregate reserve and deposit funds for policies and
30 contracts included in Exhibit 8;
- 31 b. Aggregate reserve and deposit funds for policies and
32 contracts included in Exhibit 9;
- 33 c. Deposit funds, premiums, dividend and coupon accumulations
34 and supplementary contracts not involving life contingencies
35 included in Exhibit 10; and
- 36 d. Policy and contract claims--liability end of current year
37 included in Exhibit 11, Part I.

38 4. If the appointed actuary has examined the underlying records,
39 the scope paragraph should also include the following:

40 "My examination included such review of the actuarial
41 assumptions and actuarial methods and of the underlying
42 basic records and such tests of the actuarial calculations
43 as I considered necessary."

44 5. If the appointed actuary has not examined the underlying
45 records, but has relied upon listings and summaries of policies in force
46 prepared by the company or a third party, the scope paragraph should

1 include a sentence such as one of the following:

2 "I have relied upon listings and summaries of policies and
3 contracts and other liabilities in force prepared by
4 [name and title of company officer certifying in force
5 records] as certified in the attached statement. (See
6 accompanying affidavit by a company officer.) In other
7 respects my examination included review of the actuarial
8 assumptions and actuarial methods and such tests of the
9 actuarial calculations as I considered necessary."

10 or

11 "I have relied upon [name of accounting firm] for the
12 substantial accuracy of the in force records inventory and
13 information concerning other liabilities, as certified in
14 the attached statement. In other respects my examination
15 included review of the actuarial assumptions and actuarial
16 methods and such tests of the actuarial calculations as I
17 considered necessary."

18 The statement of the person certifying shall follow the form indicated by
19 Section 7(B)(10).

20 6. The opinion paragraph should include the language recited in
21 Rule Exhibit A attached.

22 7. The concluding paragraph should document the eligibility for
23 the company to provide an opinion as provided by this Section 7. It shall
24 include the language recited in Rule Exhibit B attached.

25 8. If there has been any change in the actuarial assumptions
26 from those previously employed, that change should be described in the
27 annual statement or in a paragraph of the statement of actuarial opinion,
28 and the reference in Section 7 (B) (6) (d) above, in Rule Exhibit A
29 attached, to be consistent should read as follows:

30 "... with the exception of the change described on Page []
31 of the annual statement (or in the preceding paragraph)."

32 The adoption for new issues or new claims or other new liabilities of an
33 actuarial assumption which differs from a corresponding assumption used
34 for prior new issues or new claims or other new liabilities is not a
35 change in actuarial assumptions within the meaning of this paragraph.

36 9. If the appointed actuary is unable to form an opinion, he or
37 she shall refuse to issue a statement of actuarial opinion. If the
38 appointed actuary's opinion is adverse or qualified, he or she shall issue
39 an adverse or qualified actuarial opinion explicitly stating the reason(s)
40 for such opinion. This statement should follow the scope paragraph and
41 precede the opinion paragraph.

42 10. If the appointed actuary does not express an opinion as to the
43 accuracy and completeness of the listings and summaries of policies in
44 force, there should be attached to the opinion, the statement of a company
45 officer or accounting firm who prepared such underlying data similar to
46 the following:

47 "I [name of officer], [title] of [name and address of

1 company or accounting firm], hereby affirm that the listings
2 and summaries of policies and contracts in force as of
3 December 31, [], prepared for and submitted to [name of
4 appointed actuary], were prepared under my direction and, to
5 the best of my knowledge and belief, are substantially
6 accurate and complete.

7
8 _____
9 Signature of the Officer of the Company
or Accounting Firm

10
11 _____
12 Address of the Officer of the Company
or Accounting Firm

13
14 _____
15 Telephone Number of the Officer of the
Company or Accounting Firm"

16 SECTION 8. Statement of Actuarial Opinion Based On an Asset Adequacy
17 Analysis

18 **A. General Description**

19 The statement of actuarial opinion submitted in accordance with this
20 section shall consist of:

21 1. A paragraph identifying the appointed actuary and his or her
22 qualifications [see Section 8(B)(1)];

23 2. A scope paragraph identifying the subjects on which an opinion
24 is to be expressed and describing the scope of the appointed actuary's
25 work, including a tabulation delineating the reserves and related
26 actuarial items which have been analyzed for asset adequacy and the method
27 of analysis, [see Rule Section 8(B)(2)] and identifying the reserves and
28 related actuarial items covered by the opinion which have not been so
29 analyzed;

30 3. A reliance paragraph describing those areas, if any, where the
31 appointed actuary has deferred to other experts in developing data,
32 procedures or assumptions, (e.g., anticipated cash flows from currently
33 owned assets, including variation in cash flows according to economic
34 scenarios [see Rule Section 8(B)(3)], supported by a statement of each
35 such expert in the form prescribed by Rule Section 8(E);

36 4. An opinion paragraph expressing the appointed actuary's
37 opinion with respect to the adequacy of the supporting assets to mature
38 the liabilities [see Rule Section 8(B)(6) in Rule Exhibit D attached]; and

39 5. One or more additional paragraphs will be needed in individual
40 company cases as follows:

41 a. If the appointed actuary considers it necessary to state a
42 qualification of his or her opinion;

43 b. If the appointed actuary must disclose the method of
44 aggregation for reserves of different products or lines of
45 business for asset adequacy analysis;

- 1 c. If the appointed actuary must disclose reliance upon any
2 portion of the assets supporting the Asset Valuation Reserve
3 ("AVR"), Interest Maintenance Reserve ("IMR") or other mandatory
4 or voluntary statement of reserves for asset adequacy analysis.
5 d. If the appointed actuary must disclose an inconsistency in
6 the method of analysis or basis of asset allocation used at the
7 prior opinion date with that used for this opinion.
8 e. If the appointed actuary must disclose whether additional
9 reserves of the prior opinion date are released as of this opinion
10 date, and the extent of the release.
11 f. If the appointed actuary chooses to add a paragraph
12 briefly describing the assumptions which form the basis for the
13 actuarial opinion.

14 **B. Recommended Language**

15 The following paragraphs are to be included in the statement of
16 actuarial opinion in accordance with this section. Language is that
17 which in typical circumstances should be included in a statement of
18 actuarial opinion. The language may be modified as needed to meet the
19 circumstances of a particular case, but the appointed actuary should use
20 language which clearly expresses his or her professional judgment.
21 However, in any event the opinion shall retain all pertinent aspects of
22 the language provided in this section.

23 1. The opening paragraph should generally indicate the appointed
24 actuary's relationship to the company and his or her qualifications to
25 sign the opinion. For a company actuary, the opening paragraph of the
26 actuarial opinion should read as follows:

27 "I, [name], am [title] of [insurance company name] and a
28 member of the American Academy of Actuaries. I was
29 appointed by, or by the authority of, the Board of Directors
30 of said insurer to render this opinion as stated in the
31 letter to the Commissioner dated [insert date]. I meet the
32 Academy qualification standards for rendering the opinion
33 and am familiar with the valuation requirements applicable
34 to life and health insurance companies."

35 For a consulting actuary, the opening paragraph should contain a
36 sentence such as:

37 "I, [name], a member of the American Academy of Actuaries,
38 am associated with the firm of [name of consulting firm]. I
39 have been appointed by, or by the authority of, the Board of
40 Directors of [name of company] to render this opinion as
41 stated in the letter to the Commissioner dated [insert
42 date]. I meet the Academy qualification standards for
43 rendering the opinion and am familiar with the valuation
44 requirements applicable to life and health insurance
45 companies."

46 2. The scope paragraph should include a statement such as the
47 language recited in Rule Exhibit C attached.

48 3. If the appointed actuary has relied on other experts to
49 develop certain portions of the analysis, the reliance paragraph should
50 include a statement such as the following:

1 "I have relied on [name], [title] for [e.g., anticipated
2 cash flows from currently owned assets, including variations
3 in cash flows according to economic scenarios] and, as
4 certified in the attached statement, ..."

5 or

6 "I have relied on personnel as cited in the supporting
7 memorandum for certain critical aspects of the analysis in
8 reference to the accompanying statement."

9 Such a statement of reliance on other experts should be accompanied by
10 a statement by each of such experts of the form prescribed by Rule Section
11 8 (E).

12 4. If the appointed actuary has examined the underlying asset and
13 liability records, the reliance paragraph should also include the
14 following:

15 "My examination included such review of the actuarial
16 assumptions and actuarial methods and of the underlying
17 basic asset and liability records and such tests of the
18 actuarial calculations as I considered necessary."

19 5. If the appointed actuary has not examined the underlying
20 records, but has relied upon listings and summaries of policies in force
21 and/or asset records prepared by the company or a third party, the
22 reliance paragraph should include a sentence such as:

23 "I have relied upon listings and summaries [of policies and
24 contracts, of asset records] prepared by [name and title of
25 company officer certifying in-force records] as certified in
26 the attached statement. In other respects my examination
27 included such review of the actuarial assumptions and
28 actuarial methods and such tests of the actuarial
29 calculations as I considered necessary."

30 or

31 "I have relied upon [name of accounting firm] for the
32 substantial accuracy of the in-force records inventory and
33 information concerning other liabilities, as certified in
34 the attached statement. In other respects my examination
35 included review of the actuarial assumptions and actuarial
36 methods and tests of the actuarial calculations as I
37 considered necessary."

38 Such a section must be accompanied by a statement by each person
39 relied upon of the form prescribed by Rule Section 8(E).

40 6. The opinion paragraph should include the language recited
41 in Rule Exhibit D attached.

42 C. Assumptions for New Issues

43 The adoption for new issues or new claims or other new liabilities of
44 an actuarial assumption which differs from a corresponding assumption used

1 for prior new issues or new claims or other new liabilities is not a
2 change in actuarial assumptions within the meaning of this Rule Section 8.

3

4 **D. Adverse Opinions**

5 If the appointed actuary is unable to form an opinion, then he or she
6 shall refuse to issue a statement of actuarial opinion. If the appointed
7 actuary's opinion is adverse or qualified, then he or she shall issue an
8 adverse or qualified actuarial opinion explicitly stating the reason(s)
9 for such opinion.

10 This statement should follow the scope paragraph and precede the
11 opinion paragraph.

12 **E. Reliance on Data Furnished by Other Persons**

13 If the appointed actuary does not express an opinion as to the
14 accuracy and completeness of the listings and summaries of policies in
15 force and/or asset oriented information, there shall be attached to the
16 opinion the statement of a company officer or accounting firm who prepared
17 such underlying data. The language should be similar to that recited in
18 Rule Exhibit E attached.

19 **SECTION 9. Description of Actuarial Memorandum Including an Asset**
20 **Adequacy Analysis**

21 **A. General**

22 1. In accordance with Section 3 of the NAIC Model Standard
23 Valuation Law, Ark. Code Ann. §23-84-112, as amended by Act 621 of 1995,
24 the appointed actuary shall prepare a memorandum to the company describing
25 the analysis done in support of his or her opinion regarding the reserves
26 under a Rule Section 8 opinion. The memorandum shall be made available
27 for examination by the Commissioner upon his or her request but shall be
28 returned to the company after such examination and shall not be considered
29 a record of the Insurance Department or subject to automatic filing with
30 the Commissioner.

31 2. In preparing the memorandum, the appointed actuary may rely
32 on, and include as a part of his or her own memorandum, memoranda prepared
33 and signed by other actuaries who are qualified within the meaning of
34 Section 5(B) of this Regulation, with respect to the areas covered in such
35 memoranda, and so state in their memoranda.

36 3. If the Commissioner requests a memorandum and no such
37 memorandum exists or if the Commissioner finds that the analysis described
38 in the memorandum fails to meet the standards of the Actuarial Standards
39 Board or the standards and requirements of this Regulation, the
40 Commissioner may designate a qualified actuary to review the opinion and
41 prepare such supporting memorandum as is required for review. The
42 reasonable and necessary expense of the independent review shall be paid
43 by the company but shall be directed and controlled by the Commissioner.

44 4. The reviewing actuary shall have the same status as an
45 examiner for purposes of obtaining data from the company and the work
46 papers and documentation of the reviewing actuary shall be retained by the
47 Commissioner; provided, however, that any information provided by the
48 company to the reviewing actuary and included in the work papers shall be
49 considered as material provided by the company to the Commissioner and
50 shall be kept confidential to the same extent as is prescribed by law with

1 respect to other material provided by the company to the Commissioner
2 pursuant to the statute governing this Regulation.

3 The reviewing actuary shall not be an employee of a consulting firm
4 involved with the preparation of any prior memorandum or opinion for the
5 insurer pursuant to this Regulation for any one of the current year or the
6 preceding three (3) years.

7 **B. Details of the Memorandum Section Documenting Asset Adequacy**
8 **Analysis (Section 8)**

9 When an actuarial opinion under Rule Section 8 is provided, the
10 memorandum shall demonstrate that the analysis has been done in accordance
11 with the standards for asset adequacy referred to in Section 5 (D) of this
12 Regulation and any additional standards under this Regulation. It shall
13 specify:

- 14 1. For reserves:
 - 15 a. Product descriptions including market description,
 - 16 underwriting and other aspects of a risk profile and the specific
 - 17 risks the appointed actuary deems significant;
 - 18 b. Source of liability in force;
 - 19 c. Reserve method and basis;
 - 20 d. Investment reserves; and
 - 21 e. Reinsurance arrangements.
- 22 2. For assets:
 - 23 a. Portfolio descriptions, including a risk profile disclosing
 - 24 the quality, distribution and types of assets;
 - 25 b. Investment and disinvestment assumptions;
 - 26 c. Source of asset data; and
 - 27 d. Asset valuation bases.
- 28 3. Analysis basis:
 - 29 a. Methodology;
 - 30 b. Rationale for inclusion/exclusion of different blocks of
 - 31 business and how pertinent risks were analyzed;
 - 32 c. Rationale for degree of rigor in analyzing different blocks
 - 33 of business;
 - 34 d. Criteria for determining asset adequacy; and
 - 35 e. Effect of federal income taxes, reinsurance and other
 - 36 relevant factors.
- 37 4. Summary of Results
- 38 5. Conclusion(s)

39 **C. Conformity to Standards of Practice**

40 The memorandum shall include a statement:

41 "Actuarial methods, considerations and analyses used in the
42 preparation of this memorandum conform to the appropriate
43 Standards of Practice as promulgated by the Actuarial
44 Standards Board, which standards form the basis for this
45 memorandum."

46 **SECTION 10. Additional Considerations for Analysis**

47 **A. Aggregation**

48 For the asset adequacy analysis for the statement of actuarial opinion
49 provided in accordance with Section 8 of this Regulation, reserves and

1 assets may be aggregated by either of the following methods:

2 1. Aggregate the reserves and related actuarial items, and the
3 supporting assets, for different products or lines of business, before
4 analyzing the adequacy of the combined assets to mature the combined
5 liabilities. The appointed actuary must be satisfied that the assets held
6 in support of the reserves and related actuarial items so aggregated are
7 managed in such a manner that the cash flows from the aggregated assets
8 are available to help mature the liabilities from the blocks of business
9 that have been aggregated.

10 2. Aggregate the results of asset adequacy analysis of one or
11 more products or lines of business, the reserves for which prove through
12 analysis to be redundant, with the results of one or more products or
13 lines of business, the reserves for which prove through analysis to be
14 deficient. The appointed actuary must be satisfied that the asset
15 adequacy results for the various products or lines of business for which
16 the results are so aggregated:

17 a. Are developed using consistent economic scenarios, or

18 b. Are subject to mutually independent risks, i.e., the
19 likelihood of events impacting the adequacy of the assets
20 supporting the redundant reserves is completely unrelated to the
21 likelihood of events impacting the adequacy of the assets
22 supporting the deficient reserves.

23 In the event of any aggregation, the actuary must disclose in his or
24 her opinion that such reserves were aggregated on the basis of method (1),
25 (2)(a) or (2)(b) above, whichever is applicable, and describe the
26 aggregation in the supporting memorandum.

27 B. Selection of Assets for Analysis

28 The appointed actuary shall analyze only those assets held in support
29 of the reserves which are the subject for specific analysis, hereafter
30 called "specified reserves." A particular asset or portion thereof
31 supporting a group of specified reserves cannot support any other group of
32 specified reserves. An asset may be allocated over several groups of
33 specified reserves. The annual statement value of the assets held in
34 support of the reserves shall not exceed the annual statement value of the
35 specified reserves, except as provided in Subsection (C) below. If the
36 method of asset allocation is not consistent from year to year, the extent
37 of its inconsistency should be described in the supporting memorandum.

38 C. Use of Assets Supporting the Interest Maintenance Reserve and the 39 Asset Valuation Reserve

40 An appropriate allocation of assets in the amount of the Interest
41 Maintenance Reserve ("IMR"), whether positive or negative, must be used in
42 any asset adequacy analysis. Analysis of risks regarding asset default
43 may include an appropriate allocation of assets supporting the Asset
44 Valuation Reserve ("AVR"); these AVR assets may not be applied for any
45 other risks with respect to reserve adequacy. Analysis of these and other
46 risks may include assets supporting other mandatory or voluntary reserves
47 available to the extent not used for risk analysis and reserve support.

48 The amount of the assets used for the AVR must be disclosed in the
49 Table of Reserves and Liabilities of the opinion and in the memorandum.
50 The method used for selecting particular assets or allocated portions of
51 assets must be disclosed in the memorandum.

1 **D. Required Interest Scenarios**

2 For the purpose of performing the asset adequacy analysis required by
3 this Regulation, the qualified actuary is expected to follow standards
4 adopted by the Actuarial Standards Board; nevertheless, appointed actuary
5 must consider in the analysis the effect of at least the following
6 interest rate scenarios:

7 1. Level with no deviation;

8 2. Uniformly increasing over ten (10) years at a half percent per
9 year and then level;

10 3. Uniformly increasing at one percent per year over five (5)
11 years and then uniformly decreasing at one percent per year to the
12 original level at the end of ten (10) years and then level;

13 4. An immediate increase of three percent (3%) and then level;

14 5. Uniformly decreasing over ten (10) years at a half percent per
15 year and then level;

16 6. Uniformly decreasing at one percent per year over five (5)
17 years and then uniformly increasing at one percent per year to the
18 original level at the end of ten (10) years and then level; and

19 7. An immediate decrease of three percent (3%) and then level.

20 For these and other scenarios which may be used, projected interest
21 rates for a five (5) year Treasury Note need not be reduced beyond the
22 point where the five (5) year Treasury Note yield would be at fifty (50%)
23 of its initial level.

24 The beginning interest rates may be based on interest rates for new
25 investments as of the valuation date similar to recent investments
26 allocated to support the product being tested or be based on an outside
27 index, such as Treasury yields, of assets of the appropriate length on a
28 date close to the valuation date. Whatever method is used to determine
29 the beginning yield curve and associated interest rates should be
30 specifically defined. The beginning yield curve and associated interest
31 rates should be consistent for all interest rate scenarios.

32 **E. Documentation**

33 The appointed actuary shall retain on file, for at least seven (7)
34 years, sufficient documentation so that it will be possible to determine
35 the procedures followed, the analyses performed, the bases for assumptions
36 and the results obtained.

37 **SECTION 11. Disciplinary Actions**

38 The Commissioner may impose sanctions on companies which have failed to
39 comply with the provisions of this Rule in completing the annual statement
40 with the appropriate actuarial certification and opinion, or in failing to
41 file the statement of opinions when eligible for any exemptions under this
42 Rule; and such sanctions shall include but not be limited to those the
43 Commissioner may impose on companies for failure to file, or failure to
44 file a complete, annual statement under Ark. Code Ann. §23-63-216,
45 including license suspension, revocation, and fines or monetary
46 penalties.

47 Companies and actuaries filing false statements of financial
48 conditions in connection with the actuarial opinions required by this
49 Rule, or filing false or fraudulent actuarial opinions with the
50 Commissioner, or knowingly making a false entry in these actuarial

1 opinions in the reports or annual statements of the companies shall be
2 deemed to have committed Trade Practices violations under Ark. Code Ann.
3 §23-66-206 (4) and this Rule, in addition to other applicable provisions
4 of Arkansas laws and rules; and shall be subject to administrative
5 proceedings culminating in possible cease and desist orders, monetary
6 penalties, and/or license suspensions or revocations.

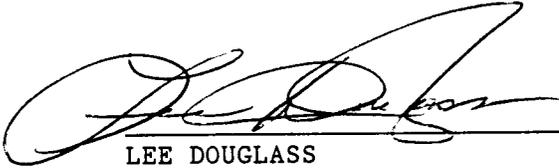
7 SECTION 12. Effective Date

8 The provisions of this Rule shall be effective on December 1, 1995. This
9 Regulation shall take effect for annual statements for the year 1995, and
10 filed with the Commissioner on or before March 1, 1996.

11 SECTION 13. Severability

12 Any section or provision of this Rule held by a court to be invalid or
13 unconstitutional will not affect the validity of any other section or
14 provision of this Rule.

15
16
17
18



LEE DOUGLASS
INSURANCE COMMISSIONER
STATE OF ARKANSAS

19
20

11-28-95

DATE

CONTACT PERSON: Jean Langford, Chief Counsel, Arkansas Insurance
Department, 1123 South University Avenue, Little Rock, Arkansas 72204;
(501) 686-2999.

PROPOSED RULE AND REGULATION
ACTUARIAL OPINION AND MEMORANDUM

EXHIBIT A

TO RULE SECTION 7 (B) (6)
AS TO ACTUARIAL OPINIONS
NOT INCLUDING AN ASSET ADEQUACY ANALYSIS

THE OPINION PARAGRAPH SHOULD INCLUDE THE FOLLOWING:

"In my opinion the amounts carried in the balance sheet on account of the actuarial items identified above:

(a) Are computed in accordance with those presently accepted actuarial standards which specifically relate to the opinion required under this section;

(b) Are based on actuarial assumptions which 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;

(c) 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.

(d) 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 as noted below; and

(e) Include provision for all actuarial reserves and related statement items which ought to be established. The actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Compliance Guidelines as promulgated by the Actuarial Standards Board, which guidelines form the basis of this statement of opinion."

PROPOSED RULE AND REGULATION
ACTUARIAL OPINION AND MEMORANDUM

EXHIBIT B

TO RULE SECTION 7 (B) (7)
AS TO ACTUARIAL OPINIONS
NOT INCLUDING AN ASSET ADEQUACY ANALYSIS

THE CONCLUDING PARAGRAPH ON ELIGIBILITY SHOULD INCLUDE THE FOLLOWING:

*This opinion is provided in accordance with Section 7 of the NAIC Actuarial Opinion and Memorandum Regulation. As such it does not include an opinion regarding the adequacy of reserves and related actuarial items when considered in light of the assets which support them.

Eligibility for Section 7 is confirmed as follows:

(a) The ratio of the sum of capital and surplus to the sum of cash and invested assets is [insert amount], which equals or exceeds the applicable criterion based on the admitted assets of the company [Section 6 (C)].

(b) The ratio of the sum of the reserves and liabilities for annuities and deposits to the excess of the total admitted assets is [insert amount], which is less than the applicable criteria based on the admitted assets of the company [Section 6 (C)].

(c) The ratio of the book value of the non-investment grade bonds to the sum of capital and surplus is [insert amount], which is less than the applicable criteria of .50.

(d) To my knowledge, the NAIC Examiner Team has not designated the company as a first priority company in any of the two (2) calendar years preceding the calendar year for which the actuarial opinion is applicable, or a second priority company in each of the two (2) calendar years preceding the calendar year for which the actuarial opinion is applicable or the company has resolved the first or second priority status to the satisfaction of the commissioner of its state of domicile.

PROPOSED RULE AND REGULATION
ACTUARIAL OPINION AND MEMORANDUM

EXHIBIT C

TO RULE SECTION 8 (B) (2)
AS TO ACTUARIAL OPINIONS
BASED ON AN ASSET ADEQUACY ANALYSIS

THE SCOPE PARAGRAPH SHOULD INCLUDE A STATEMENT SUCH AS THE FOLLOWING:

"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, 19 []. Tabulated below are those reserves and related actuarial items which have been subjected to asset adequacy analysis.

EXHIBIT C

ACTUARIAL OPINION & MEMORANDUM REGULATION

Asset Adequacy Tested Amounts			Reserves and Liabilities		
Convention Blank Statement Item	Formula Reserves (1)	Additional Actuarial Reserves (a) (2)	Analysis Method (b)	Other Amount (3)	Total Amount (1)+(2)+(3) (4)
Exhibit 8					
A Life Insurance					
B Annuities					
C Supplementary Contracts Involving Life Contingencies					
D Accidental Death Benefit					
E Disability - Active Lives					
F Disability - Disabled Lives					
G Miscellaneous					
Total (Exhibit 8 Item 1, Page 3)					
Exhibit 9					
A Active Life Reserve					
B Claim Reserve					
Total (Exhibit 9 Item 2, Page 3)					
Exhibit 10 - Premiums and Other Deposit Funds					
1.1 Policyholder Premiums (Page 3, Line 10.1)					
1.2 Guaranteed Interest Contracts (Page 3, Line 10.2)					

EXHIBIT C

ACTUARIAL OPINION & MEMORANDUM REGULATION

Asset Adequacy Tested Amounts Reserves and Liabilities					
Convention Blank Statement Item	Formula Reserves (1)	Additional Actuarial Reserves (a) (2)	Analysis Method (b)	Other Amount (3)	Total Amount (1)+(2)+(3) (4)
1.3 Other Contract Deposit Funds (Page 3, Line 10.3)					
2 Supplementary Contracts Not Involving Life Contingencies (Page 3, Line 3)					
3 Dividend and Coupon Accumulations (Page 3, Line 5)					
Total Exhibit 10					
Exhibit 11, Part 1					
1 Life (Page 3, Line 4.1)					
2 Health (Page 3, Line 4.2)					
Total Exhibit 11, Part 1					
Separate Accounts (Page 3, Line 27)					
TOTAL RESERVES					

IMR (Page ___ Line ___)
AVR (Page ___ Line ___)
(c)

Notes:

- (a) The additional actuarial reserves are the reserves established under Paragraphs (2) or (3) of Section 5(E) of the Rule.
- (b) The appointed actuary should indicate the method of analysis, determined in accordance with the standards for asset adequacy analysis referred to in Section 5(D) of this Regulation, by means of symbols which should be defined in footnotes to the table.
- (c) Allocated amount.

PROPOSED RULE AND REGULATION
ACTUARIAL OPINION AND MEMORANDUM

EXHIBIT D

TO RULE SECTION 8 (B) (6)
AS TO ACTUARIAL OPINIONS
BASED ON AN ASSET ADEQUACY ANALYSIS

THE OPINION PARAGRAPH SHOULD INCLUDE THE FOLLOWING:

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

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

(b) Are based on actuarial assumptions which 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;

(c) 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.

(d) 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);

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

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 such assets, and the considerations anticipated to be received and retained under such 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.

(e) To my knowledge there is not a specific request from any Commissioner requiring an asset adequacy analysis opinion.

Signature of Appointed Actuary

Address of Appointed Actuary

Telephone Number of Appointed Actuary"

PROPOSED RULE AND REGULATION
ACTUARIAL OPINION AND MEMORANDUM

EXHIBIT E

TO RULE SECTION 8 (E)
AS TO ACTUARIAL OPINIONS
BASED ON AN ASSET ADEQUACY ANALYSIS

THE COMPANY OFFICER OR ACCOUNTING FIRM STATEMENT SHOULD USE
LANGUAGE SIMILAR TO THE FOLLOWING:

"I [name of officer], [title], of [name of company
or accounting firm], hereby affirm that the
listings and summaries of policies and contracts
in force as of December 31, 19 [], and other
liabilities prepared for and submitted to [name
of appointed actuary] were prepared under my
direction and, to the best of my knowledge and
belief, are substantially accurate and complete.

Signature of the Officer of the Company
or Accounting Firm

Address of the Officer of the Company
or Accounting Firm

Telephone Number of the Officer of the
Company or Accounting Firm"

and/or

"I, [name of officer], [title] of [name of
company, accounting firm, or security analyst],
hereby affirm that the listings, summaries and
analyses relating to data prepared for and
submitted to [name of appointed actuary] in
support of the asset-oriented aspects of the
opinion were prepared under my direction and, to
the best of my knowledge and belief, are
substantially accurate and complete.

Signature of the Officer of the Company,
Accounting Firm or the Security Analyst

Address of the Officer of the Company,
Accounting Firm or the Security Analyst

Telephone Number of the Officer of the
Company, Accounting Firm or the Security
Analyst"

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."

THE OPINION PARAGRAPH SHOULD CONTINUE WITH ONE OF THE TWO FOLLOWING PARAGRAPHS, AS APPLICABLE:

"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 which should be considered in reviewing this opinion."

or

"The following material change(s) which 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.)"

THE OPINION PARAGRAPH SHOULD CONTINUE AS FOLLOWS:

"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

Address of Appointed Actuary

Telephone Number of Appointed Actuary"