LOUISIANA DEPARTMENT OF INSURANCE

TO ALL FOREIGN & ALIEN LIFE INSURANCE COMPANIES (Including Life & Fraternal)

REGULATION 47 (RE-ENACTED)

The 2015 Statement of Actuarial Opinion (SAO) for Life and Fraternal companies licensed to transact business in Louisiana must be in compliance with the requirements of the foreign company's state of domicile. It is not directly necessary to meet the requirement of Louisiana's Regulation 47 (re-enacted).

SMALL GROUPS AND COMMUNITY RATING REQUIREMENTS

Life and Health insurers that market individual health insurance policies and/or act as small employer health benefit carriers shall also comply with the provision of LRS 22:1094B which requires that small employer carriers shall file each March 1 with the commissioner an actuarial certification that the carrier is in compliance with sections LRS 22:1091 through 1095 of the Louisiana Insurance Code and that the rating methods of the carrier are actuarially sound. **Note, these requirements apply to both indemnity and HMO structured organizations.**

REGISTERED POLICIES

All foreign companies must complete the attached "Registered Policy" form if they issue any registered policies in the state of Louisiana. Registered policies are defined in LRS 22:809 of the Louisiana Insurance Code.

ATTN: ALL APPOINTED ACTUARIES

LOUISIANA ACTUARIAL ISSUES UPDATE

DECEMBER 31, 2015 REQUIREMENTS

There were no new actuarial rules or regulations promulgated by the Louisiana Department of Insurance in 2015.

In 2014, the Louisiana Department of Insurance amended Rule 8 to recognize the 2012 IAR mortality table to be effective for annuities and pure endowments issued on or after January 1, 2015.

In 2013, the Louisiana Department of Insurance promulgated the Standard Valuation Law version that now recognizes principle based reserves. This will become the Louisiana standard once the requirements for national recognition have been met.

In addition, we promulgated the most recent version of Regulation 96 in October of 2008, Regulation 91 in March of 2007, Regulation 47 (re-enacted) in July of 2005 (with a clarification modification in December of 2010), Regulation 84 in September of 2005 and Regulation 85 in September of 2005. These regulations are discussed herein.

1. Regulation 96

   Regulation 96 establishes the 1980 CSO Ultimate Mortality Table as the valuation basis for pre-need and other similar type contracts as clarified in this regulation and will apply to such policies on or after January 1, 2009.

2. Regulation 91

   Regulation 91 recognizes, presents and permits the use of mortality tables by life insurance companies that reflect the differences in mortality between preferred and standard lives in their statutory reserve determinations. **Note that we are granting an exemption from the mortality statistics reporting requirement for 2015, as per the enclosed letter.**

3. Regulation 47 (re-enacted)

   Regulation 47 (re-enacted) is Louisiana's version of the NAIC's April 2010 Actuarial Opinion and Memorandum Regulation model (MDL-822). Regulation 47 (re-enacted) varies from the NAIC model so as to allow for the special regulatory characteristics of our Louisiana domestics. These special considerations are discussed further in the attached letter addressed to all life insurance company appointed actuaries, dated November 21, 2005. **However, it should be noted that all multi-state domestic insurance companies are subject to the standard asset adequacy analysis requirement.**

4. Regulation 84

   Regulation 84 is Louisiana's version of the 2001 CSO Mortality Table Model Regulation. Reference is given to the attached letter addressed to all life insurance company appointed actuaries, dated November 21, 2005.

5. Regulation 85

   Regulation 85 is Louisiana's version of Regulation XXX. It conforms to the NAIC model without adjustment.

6. Actuarial Guideline XXXII

   There has been no change to Louisiana's unique version of this requirement since last year.

   The immediate payment of death claims assumption in the statutory reserve formula was to have been implemented over five years in increasing increments of 20% per year commencing with the December 31, 1996 reserves on business issued prior to January 1, 1996. However, since December 31, 1997, the increase was capped at 40% on business issued prior to January 1, 1996, with the full reserve being required for issues following that date. Reasonable approximations are acceptable. Further, we mandate that this reserve value be shown explicitly in the various reserve reports.

7. Other Actuarial Guidelines

All other Actuarial Guidelines are as per the NAIC Accounting Practices and Procedures Manual.

8. Annuity Valuation Tables

Louisiana Rule 8 was amended to include the use of the 2012 IAR mortality table for individual annuity issues commencing January 1, 2015, with the 1994 GAR table being effective for group annuity issues commencing January 1, 1999.

ATTENTION DOMESTIC AND FOREIGN LIFE INSURANCE COMPANIES

REGISTERED POLICIES

Please complete the following form:

Name of Company:_____.

NAIC Number: _____

1. Any issued Registered Policies as defined in La. R.S. 22:809 ____YES ____ NO

2. If the answer to the above is yes, then complete the following:

   a. Plan codes offering registered policies_____ .

   b. Number of registered policies issued _____ .

   c. Total in-force of registered policies _____.

   d. Statutory reserves of all registered policies as of 12/31/15_____ .

3. Have you deposited with the Commissioner of Insurance funds equal to the legal reserve for the registered policies ___YES ____ NO

I hereby certify the above information is correct.

_____ _____

Officer of the Company Date

AMO005.FOR

LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

December 16, 2014

To: All Life Insurance Company Appointed Actuaries

This letter discusses recently promulgated Louisiana legislation. We amended Rule 8 in 2014. We promulgated the revision to the standard valuation and standard non-forfeiture laws that recognize principle based reserves in 2013 and we now wait for national recognition for it to come into effect for our Louisiana and domestic and foreign life insurance companies. Three new regulations were promulgated in 2005, none in 2006, one in 2007, one in 2008 and re-codification of Title 22 in 2009. In 2010 a slight change was made to Regulation 47 (re-enacted). There was no new legislation promulgated in either 2011 or 2012. However, on January 1, 2013 the statutory valuation and non-forfeiture interest rates changed for new issues as detailed in the appended letter.

RULE 8

Rule 8 was amended in 2014 to recognize the 2012 IAR mortality table for individual annuity issues commencing on or after January 1, 2015.

REGULATION 47 (RE-ENACTED)

Regulation 47 (re-enacted) (2005), supplants Regulation 47 (1994) and conforms to the NAIC model except that we modified it to give the Commissioner the authority to establish alternative asset adequacy testing standards. **Note, multi-state domestics are <u>not</u> exempt from the asset adequacy analysis requirement (as of 2010).**

The December 31, 2013 domestic company <u>single</u> state standard of exemption remains the same as last year, namely: previous Regulation 47's "Section 7 Exemption".

REGULATION 84

Regulation 84 (2005) authorizes the 2001 CSO Mortality Table for statutory valuation and non forfeiture purposes. This table is limited to its use to regularly underwritten life insurance business, with Regulation 96 describing pre-need mortality coverage.

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Also, as per the letter dated June 9, 2005 (letter appended), Louisiana's insurance code does not require the minimum statutory valuation interest rate to ever be less than 4.5%. Since other states may want to set their December 31, 2013 statutory valuation standard under the 2001 CSO mortality at 4% rather than the 1980 CSO at 4.5%, we consider this to be satisfactory provided any reserve shortfall is established as a contingency reserve. This basis will apply to business issued prior to January 1, 2013, thereafter; a different standard will apply as per the appended letter.

REGULATION 85

Regulation 85 (2005), is as per the NAIC Regulation XXX model.

REGULATION 91

Regulation 91 (2007) permits the use of the 2001 CSO Preferred Class Structure Mortality Table as an alternative to the 2001 CSO Smoker/Non-smoker Mortality Table as a valuation standard for life insurance reserves. Our regulation adheres to the NAIC model without adjustment. **The Commissioner is waiving the mortality statistics reporting requirement for 2014, as per the appended letter.**

REGULATION 96

Regulation 96 (2008) prescribes the 1980 CSO Ultimate Mortality Table for the valuation of pre-need and other similar coverage, commencing January 1, 2009.

SUMMARY

In summary of the above:

1. Rule 8 was amended in 2014 to recognize the 2012 IAR table for individual annuity issues.
2. The revision to the standard valuation and standard non-forfeiture law that recognizes principle based reserves was promulgated in 2013.
3. Regulation 47 (re-enacted). Certain Louisiana domestics are exempt from asset adequacy analysis (not granted for multi-state domestics). Foreign companies must meet their state of domicile's asset adequacy standards.
4. Regulation 96 establishes the mortality standard for pre-need business.
5. Regulation 85 conforms completely to the NAIC Regulation XXX model.
6. Regulation 91 allows companies meeting certain standards to use the 2001 CSO Preferred Class Structure mortality table under certain circumstances. The statistics reporting requirement for 2014 is waived.

Sincerely,

Rodney E. Friedy, FSA, MAAA
Director of Life Actuarial Services

LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

December 17, 2012

To: All Life Insurance Company Appointed Actuaries

Commencing January 1, 2013, the dynamic valuation interest rate calculator has determined that the maximum statutory valuation interest rate for newly issued life insurance business with lifetime benefits to be 3.5%, supplanting the 4% standard. In Louisiana, this new standard will apply to fully underwritten business while an alternative standard will apply to limited underwritten policies such as pre-need coverage.

LRS 22:753B(3)(a) of the Louisiana Insurance Code states: "The interest rates used in determining minimum standard for the valuation of the policies…shall be the calendar year statutory valuation interest rates, as defined in this paragraph, or at the option of the insurer,…, the rate … of interest provided in Paragraphs (1)…of this Subsection." The "Paragraphs (1)" reference is to LRS 22:753B(1) which states: "Except as otherwise provided in Paragraphs…(3) of this Subsection…the minimum standard for the valuation…four and one-half percent interest for policies…other than annuities and pure endowment contracts…". It is thus concluded that the Louisiana Insurance Code sets the floor on the statutory maximum valuation interest rate for insurance policies with lifetime coverage at 4.5%. This rate was combined with the 1980 CSO to form the statutory standard for limited underwritten lifetime benefit policies.

With the change in the maximum statutory valuation interest rate assumption to 3.5% for fully underwritten life time benefit policies, it is deemed necessary to also review the maximum statutory valuation interest rate assumption for the lifetime benefit limited underwritten policies. Given that the change in statutory rate to 3.5% was based on the prevailing low bond earnings, and that such low bond earning rates would also apply to the investments of limited underwritten business, it is deemed necessary to lower the statutory maximum interest rate for limited underwritten business to 4% from 4.5%. Thus, commencing January 1, 2013, for all newly issued maximum benefit period limited underwritten policies, the minimum statutory valuation standard will be the 1980 CSO at 4.0% effective on January 1, 2013, and the minimum non-forfeiture standard will be the 1980 CSO at 5.0% effective on January 1, 2014.

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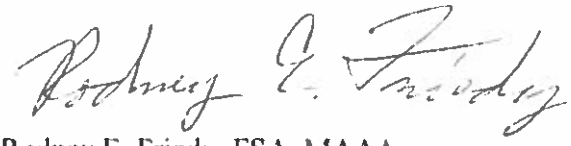
In summary, in order to meet the Louisiana statutory insurance code standards and the good and sufficient reserve requirement, for life insurance with a lifetime benefit, the minimum statutory reserve standard is the 2001 CSO at 3.5% for fully underwritten business and the 1980 CSO at 4.0% for limited underwritten business, with the corresponding minimum non-forfeiture standards being the 2001 CSO at 4.5% for fully underwritten business and the 1980 CSO at 5.0% for limited underwritten business. The statutory valuation rates take effect January 1, 2013 and the statutory non-forfeiture rates take effect January 1, 2014.

Sincerely,



Rodney E. Friedy, FSA, MAAA
Director of Life Actuarial Services

LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

NOTE: With the 2008 re-codification, the LRS reference of 163 becomes 753

June 9, 2005

To: All Life Insurance Company Appointed Actuaries

Under the current prevailing interest rate climate it is expected that the dynamic statutory valuation interest rate generating formula will produce a statutory valuation interest rate of 4% for life insurance policies with lifetime benefits. This defines the statutory minimum valuation and non-forfeiture interest rate for issues commencing January 1, 2006 until the dynamic statutory valuation interest rate generating formula produces a different value.

However, under the Louisiana Insurance Code there are options. LRS 22:163B(3)(a) states: "The interest rates used in determining minimum standard for the valuation of the policies...shall be the calendar year statutory valuation interest rates, as defined in this paragraph, or at the option of the insurer,..., the rate ... of interest provided in Paragraphs (1)...of this Subsection." The "Paragraphs (1)" reference is to LRS 22:163B(1) which states: "Except as otherwise provided in Paragraphs...(3) of this Subsection...the minimum standard for the valuation...four and one-half percent interest for policies...other than annuities and pure endowment contracts...". It is thus concluded that the Louisiana Insurance Code sets the floor on the statutory minimum valuation interest rate for insurance policies with lifetime coverage at 4.5% which is the rate that has been in effect for some time.

The preceding analysis reveals that the minimum statutory valuation interest rate for life insurance policies with life time coverage is 4.5%. Similarly, since the minimum non-forfeiture interest rate is set to 125% of the minimum statutory valuation interest rate rounded up to the next 0.25%, its value of 5.75% also remains in effect. Therefore, all appointed actuaries responsible for the valuation of Louisiana issued policies are free to continue to use the statutory valuation and non-forfeiture interest rates for 2005 issues to value the life insurance policies with lifetime benefits as long as the Louisiana Insurance Code remains as it is currently written.

Sincerely,

Rodney E. Friedy, FSA, MAAA
Director of Life Actuarial Services

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LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

December 18, 2015

To: All Domestic and Foreign Louisiana Life Insurance Companies

In accordance with Section 11909C of Louisiana's Regulation 91: "Unless exempted by the Commissioner, every authorized insurer using the 2001 CSO Preferred Class Structure Table shall annually file with the Commissioner, with the NAIC, or with a statistical agent designated by the NAIC and acceptable to the Commissioner, statistical reports showing mortality and such other information as the Commissioner may deem necessary or expedient for the administration of the provisions of this regulation…"

Notice is hereby given that for the calendar year ending December 31, 2015, the Louisiana Department of Insurance intends to grant the above mentioned exemption from the filing of the associated annual statistical reports.

Please feel free to contact us if any further clarification is needed.

Sincerely,

Rodney E. Friedy

Rodney E. Friedy, FSA, MAAA
Director of Life Actuarial Services

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