

Dear Senators PATRICK, Souza, Ward-Engelking, and
Representatives DIXON, Furniss, Berch:

The Legislative Services Office, Research and Legislation, has received the enclosed rules of
the Department of Insurance:

IDAPA 18.07.03 - Valuation of Life Insurance Policies Including the Use of Select Mortality Factors
(ZBR Chapter Rewrite) - Proposed Rule (Docket No. 18-0703-2201);

IDAPA 18.07.08 - Property and Casualty Actuarial Opinion Rule (ZBR Chapter Rewrite) - Proposed
Rule (Docket No. 18-0708-2201);

IDAPA 18.07.09 - Life and Health Actuarial Opinion and Memorandum Rule (ZBR Chapter Rewrite)
- Proposed Rule (Docket No. 18-0709-2201).

Pursuant to Section 67-454, Idaho Code, a meeting on the enclosed rules may be called by the
cochairmen or by two (2) or more members of the subcommittee giving oral or written notice to Research
and Legislation no later than fourteen (14) days after receipt of the rules' analysis from Legislative
Services. The final date to call a meeting on the enclosed rules is no later than 09/06/2022. If a meeting is
called, the subcommittee must hold the meeting within forty-two (42) days of receipt of the rules' analysis
from Legislative Services. The final date to hold a meeting on the enclosed rules is 10/03/2022.

The germane joint subcommittee may request a statement of economic impact with respect to a
proposed rule by notifying Research and Legislation. There is no time limit on requesting this statement,
and it may be requested whether or not a meeting on the proposed rule is called or after a meeting has
been held.

To notify Research and Legislation, call 334-4854, or send a written request to the address on the
memorandum attached below.



Terri Kondoff
Director

Legislative Services Office

Idaho State Legislature

Serving Idaho's Citizen Legislature

MEMORANDUM

TO: Rules Review Subcommittee of the Senate Commerce & Human Resources Committee and the House Business Committee

FROM: Principal Legislative Drafting Attorney - Elizabeth Bowen

DATE: August 18, 2022

SUBJECT: Department of Insurance

IDAPA 18.07.03 - Valuation of Life Insurance Policies Including the Use of Select Mortality Factors (ZBR Chapter Rewrite) - Proposed Rule (Docket No. 18-0703-2201)

IDAPA 18.07.08 - Property and Casualty Actuarial Opinion Rule (ZBR Chapter Rewrite) - Proposed Rule (Docket No. 18-0708-2201)

IDAPA 18.07.09 - Life and Health Actuarial Opinion and Memorandum Rule (ZBR Chapter Rewrite) - Proposed Rule (Docket No. 18-0709-2201)

Summary and Stated Reasons for the Rule

These proposed rules are all chapter rewrites that clarify language and remove duplicative language.

Negotiated Rulemaking / Fiscal Impact

Negotiated rulemaking was conducted for all three rules. None of the rules is anticipated to have a negative fiscal impact on the state general fund.

Statutory Authority

The proposed rules appear to be authorized pursuant to Sections 41-211 and 41-612, Idaho Code.

cc: Department of Insurance
Weston Trexler

***** PLEASE NOTE *****

Per the Idaho Constitution, all administrative rules may be reviewed by the Legislature during the next legislative session. The Legislature has 3 options with this rulemaking docket: **1)** Approve the docket in its entirety; **2)** Reject the docket in its entirety; or **3)** Reject the docket in part.

Paul Headlee, Deputy Director Kristin Ford, Manager Keith Bybee, Manager April Renfro, Manager Glenn Harris, Manager
Legislative Services Office Research & Legislation Budget & Policy Analysis Legislative Audits Information Technology

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IDAPA 18 – DEPARTMENT OF INSURANCE
18.07.03 – VALUATION OF LIFE INSURANCE POLICIES INCLUDING
THE USE OF SELECT MORTALITY FACTORS
DOCKET NO. 18-0703-2201 (ZBR CHAPTER REWRITE)
NOTICE OF RULEMAKING – PROPOSED RULE

AUTHORITY: In compliance with Section 67-5221(1), Idaho Code, notice is hereby given that this agency has initiated proposed rulemaking procedures. The action is authorized pursuant to Sections 41-211 and 41-612, Idaho Code.

PUBLIC HEARING SCHEDULE: Public hearing concerning this rulemaking will be held as follows:

Tuesday, July 26, 2022 2:00 p.m. to 3:30 p.m. (MT)
<i>In-person participation is available at:</i> Department of Insurance 700 W State St, 3rd Floor Conference Room A Boise, Idaho 83702
<i>Phone or virtual participation via Webex is available at:</i> Join WebEx Meeting Meeting Number (Access Code): 2451 825 4219 Meeting Password: fN4m3AqFSr3
<i>Join by phone at: 1-720-650-7664</i>

The hearing sites will be accessible to persons with disabilities. Requests for accommodation must be made not later than five (5) days prior to the hearing, to the agency address below.

DESCRIPTIVE SUMMARY: The following is a nontechnical explanation of the substance and purpose of the proposed rulemaking:

The purpose of this rule is to provide: tables of select mortality factors and rules for their use; and minimum standard rules for valuations of plans with nonlevel premiums or benefits and for valuation of plans with secondary guarantees. This rulemaking clarifies language and removes duplicative language.

FEE SUMMARY: The following is a specific description of the fee or charge imposed or increased: N/A.

FISCAL IMPACT: The following is a specific description, if applicable, of any negative fiscal impact on the state general fund greater than ten thousand dollars (\$10,000) during the fiscal year as a result of this rulemaking: None.

NEGOTIATED RULEMAKING: Pursuant to Section 67-5220(1), Idaho Code, negotiated rulemaking was conducted. The Notice of Intent to Promulgate Rules - Negotiated Rulemaking was published in the April 6, 2022 Idaho Administrative Bulletin, [Vol. 22-04, pages 37-38](#), under Docket No. 18-ZBRR-2201.

INCORPORATION BY REFERENCE: Pursuant to Section 67-5229(2)(a), Idaho Code, the following is a brief synopsis of why the materials cited are being incorporated by reference into this rule: Insurance companies must calculate the value of the benefits they sell under specific conditions, in order to regulate their solvency. The incorporation of the tables is necessary to set those solvency standards and for Idaho to retain its accreditation.

ASSISTANCE ON TECHNICAL QUESTIONS, SUBMISSION OF WRITTEN COMMENTS: For assistance on technical questions concerning the proposed rule, contact Weston Trexler, (208) 334-4214, weston.trexler@doi.idaho.gov.

Anyone may submit written comments regarding this proposed rulemaking. All written comments must be directed to the undersigned and must be delivered on or before July 27, 2022.

DATED this June 3, 2022.

Dean L. Cameron, Director
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID, 83720-0043
Phone: (208) 334-4250
Fax: (208) 334-4398

THE FOLLOWING IS THE PROPOSED TEXT OF DOCKET NO. 18-0703-2201
(Zero Based Regulation (ZBR) Chapter Rewrite)

18.07.03 – VALUATION OF LIFE INSURANCE POLICIES INCLUDING
THE USE OF SELECT MORTALITY FACTORS

000. LEGAL AUTHORITY.

Title 41, Chapters 2 and 6, Sections 41-211 and 612, Idaho Code. ()

001. SCOPE.

01. Scope. Provides Tables of select mortality factors and minimum standards for plan valuations with: ()

a. Nonlevel premiums or benefits; or ()

b. Secondary guarantees. ()

02. Method. The method for calculating basic reserves defined herein will constitute the commissioners' reserve valuation method for applicable policies. ()

03. Applicability. This chapter applies to all life insurance policies, with or without nonforfeiture values, issued on or after March 30, 2001, subject to these exceptions and conditions. ()

a. Exceptions. This chapter does not apply to: ()

i. An individual life insurance policy issued on or after March 30, 2001, if the policy is issued under, and because of, the exercise of a reentry provision in the original life insurance policy of the same or greater face amount, issued before March 30, 2001, that guarantees the new policy's premium rates. This chapter also does not apply to later policies issued because of the exercise of such a provision, or a derivation of the provision, in the new policy. ()

- ii. A universal life policy that meets all the following requirements: ()
 - (1) Secondary guarantee period, if any, is five (5) years or less; ()
 - (2) Specified premium for the secondary guarantee period is at least the net level reserve premium for the secondary guarantee period based on the CSO valuation tables, as defined, and the applicable valuation interest rate; and ()
 - (3) The initial surrender charge is at least one hundred percent (100%) of the first year annualized specified premium for the secondary guarantee period. ()
- iii. A variable life insurance policy that provides for life insurance, the amount or duration of which varies according to the investment experience of any separate account or accounts. ()
- iv. A variable universal life insurance policy that provides for life insurance, the amount or duration of which varies according to the investment experience of any separate account or accounts. ()
- v. A group life insurance certificate unless the certificate provides for a stated or implied schedule of maximum gross premiums needed to continue coverage in force for a period beyond one (1) year. ()
- b. Conditions:** ()
 - i. The minimum valuation standard for policies with guaranteed nonlevel gross premiums or guaranteed nonlevel benefits (other than universal life policies), or both, will be calculated per Section 012. ()
 - ii. The minimum valuation standard for flexible premium and fixed premium universal life insurance policies, which contain provisions resulting in the ability of a policyholder to keep a policy in force over a secondary guarantee period, will be calculated per Section 013. ()

002. INCORPORATION BY REFERENCE.

The tables of select mortality factors are incorporated by reference the Appendix to NAIC Model 830, published October 2009 and available on the Department's website, and are the bases to which the respective percentage of Paragraphs 011.01.b., 011.02.b., and 011.02.c. are applied. ()

003. -- 009. (RESERVED)

010. DEFINITIONS.

- 01. Basic Reserves.** Reserves calculated per Section 41-612(5), Idaho Code. ()
- 02. Contract Segmentation Method.** Method of dividing the period from issue to mandatory expiration of a policy into successive segments, where each segment's length is the period from the end of the prior segment (from policy inception, for the first segment) to the end of the latest policy year as determined below. All calculations are made using the 1980 CSO Valuation Tables, and, if elected, the optional minimum mortality standard for deficiency reserves set forth in Subsection 011.02. ()
- 03. Deficiency Reserves.** Excess, if greater than zero (0), of ()
 - a.** Minimum reserves calculated per Section 41-612(10), Idaho Code, over ()
 - b.** Basic reserves. ()
- 04. Guaranteed Gross Premiums.** Life insurance policy premiums that are guaranteed and determined at issue. ()
- 05. Maximum Valuation Interest Rates.** Interest rates defined in Section 41-612(4b), Idaho Code

(Computation of Minimum Standard by Calendar Year of Issue), used to determine the minimum standard for valuating life insurance policies. ()

06. 1980 CSO Valuation Tables. Commissioners' 1980 Standard Ordinary Mortality Table (1980 CSO Table) without "ten year select factors," and variations of the 1980 CSO Table approved by the NAIC, such as the smoker and nonsmoker versions approved in December 1983. ()

07. Scheduled Gross Premium. Smallest illustrated gross premium at issue for other than universal life insurance policies. For universal life insurance policies, scheduled gross premium means the smallest specified premium described in Paragraph 013.01.c., if any, or else the minimum premium described in Paragraph 013.01.d. ()

08. Segmented Reserves. ()

a. Reserves calculated using segments produced by the contract segmentation method, equal to the present value of all future guaranteed benefits less the present value of all future net premiums to the policy's mandatory expiration, where the net premiums in each segment are a uniform percentage of the respective guaranteed gross premiums within the segment. The uniform percentage for each segment is such that, at the start of the segment, the present value of the net premiums within the segment equals: ()

i. The present value of the death benefits within the segment, plus ()

ii. The present value of any unusual, guaranteed cash value (see Subsection 012.04) occurring at the end of the segment, less ()

iii. Any unusual guaranteed cash value occurring at the start of the segment, plus ()

iv. For the first segment only, the excess of the Item one (1) over Item two (2), as follows: ()

(1) A net level annual premium equal to the present value, at the date of issue, of the benefits provided for in the first segment after the first policy year, divided by the present value, at the date of issue, of an annuity of one (1) per year payable on the first and each subsequent anniversary within the first segment on which a premium falls due. But the net level annual premium will not exceed the net level annual premium on the nineteen (19) year premium whole life plan of insurance of the same renewal year equivalent level amount at an age one (1) year higher than the age at issue of the policy. ()

(2) A net one (1) year term premium for the benefits provided for in the first policy year. ()

b. Each segment's length is determined by the "contract segmentation method." ()

c. The interest rates in a policy's present value calculations cannot exceed the maximum valuation interest rate, determined with a guarantee duration equal to the sum of the lengths of the policy's segments. ()

d. For both basic reserves and deficiency reserves computed by the contract segmentation method, present values will include future benefits and net premiums in the current segment and in all subsequent segments. ()

09. Tabular Cost of Insurance. The net single premium at the start of a policy year for one (1) year term insurance in the amount of the guaranteed death benefit in that policy year. ()

10. Ten Year Select Factors. The factors adopted with the 1980 amendments to the NAIC Standard Valuation Law. ()

11. Unitary Reserves. ()

a. The present value of all future guaranteed benefits less the present value of all future modified net premiums, where: ()

i. Guaranteed benefits and modified net premiums are considered to the mandatory expiration of the policy; and ()

ii. Modified net premiums are a uniform percentage of the respective guaranteed gross premiums, where the uniform percentage is such that, at issue, the present value of the net premiums equals the present value of all death benefits and pure endowments, plus the excess of Item one (1) over Item two (2), as follows: ()

(1) A net level annual premium equal to the present value, at the date of issue, of the benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one (1) per year payable on the first and each subsequent anniversary of the policy on which a premium falls due. But the net level annual premium will not exceed the net level annual premium on the nineteen (19) year premium whole life plan of insurance of the same renewal year equivalent level amount at an age one (1) year higher than the age at issue of the policy. ()

(2) A net one (1) year term premium for the benefits provided for in the first policy year. ()

b. The interest rates used in the present value calculations for any policy will not exceed the maximum valuation interest rate, determined with a guarantee duration equal to the length from issue to the mandatory expiration of the policy. ()

12. Universal Life Insurance Policy. Any individual life insurance policy for which separately identified interest credits (other than in connection with dividend accumulations, premium deposit funds, or other supplementary accounts) and mortality or expense charges are made to the policy. ()

011. GENERAL CALCULATION REQUIREMENTS FOR BASIC RESERVES AND PREMIUM DEFICIENCY RESERVES.

01. Basic Reserves. At the company's election for any one (1) or more specified plans of life insurance, the minimum mortality standard for basic reserves may be calculated using the 1980 CSO valuation tables with select mortality factors. If select mortality factors are elected, they may be: ()

a. The "ten year select factors"; ()

b. The select mortality factors in the tables referenced in Section 002. ()

02. Deficiency Reserves. Deficiency reserves, if any, are calculated for each policy as the excess, if greater than zero (0), of the quantity A over the basic reserve. The quantity A is obtained by recalculating the basic reserve for the policy using guaranteed gross premiums instead of net premiums when the guaranteed gross premiums are less than the corresponding net premiums. At the company's election, for any one or more specified plans of insurance, the quantity A and the corresponding net premiums used to determine quantity A may be based on the 1980 CSO valuation tables with select mortality factors. If select mortality factors are elected, they may be one (1) of: ()

a. The "ten year select factors"; ()

b. The select mortality factors in the tables as referenced in Section 002; ()

c. For durations in the first segment, X percent of the select mortality factors in the tables as referenced in Section 002, subject to: ()

i. X may vary by policy year, policy form, underwriting classification, issue age, or any other policy factor expected to affect mortality experience; ()

ii. X is such that, when using the valuation interest rate used for basic reserves, Item one (1) at least equals Item two (2); ()

(1) The actuarial present value of future death benefits, calculated using the mortality rates resulting from the application of X; ()

(2) The actuarial present value of future death benefits calculated using anticipated mortality experience without recognition of mortality improvement beyond the valuation date; ()

iii. X is such that the mortality rates resulting from the application of X are at least as great as the anticipated mortality experience, without recognition of mortality improvement beyond the valuation date, in each of the first five (5) years after the valuation date; ()

iv. The appointed actuary will increase X at any valuation date where it is necessary to continue to meet all the requirements of Paragraph 011.02.c.; ()

v. The appointed actuary may decrease X at any valuation date if X continues to meet all requirements of Paragraph 011.02.c.; and ()

vi. The appointed actuary will specifically consider the adverse effect on expected mortality and lapsation of any anticipated or actual increase in gross premiums. ()

vii. If X is less than one hundred percent (100%) at any duration for any policy, the following requirements are to be met: ()

(1) The appointed actuary will annually prepare an actuarial opinion and memorandum for the company in conformance with the requirements of IDAPA 18.07.09, Section 022; ()

(2) The appointed actuary will disclose, in the Regulatory Asset Adequacy Issues Summary, the impact of the insufficiency of assets to support the payment of benefits and expenses and the establishment of statutory reserves during one (1) or more interim periods; and ()

(3) The appointed actuary will annually opine, for all policies subject to this chapter, on whether the mortality rates resulting from applying X meet the requirements of Paragraph 011.02.c. This opinion will be supported by an actuarial report, subject to appropriate Actuarial Standards of Practice promulgated by the Actuarial Standards Board of the American Academy of Actuaries. The X factors will reflect anticipated future mortality, without recognition of mortality improvement beyond the valuation date, taking into account relevant emerging experience. ()

03. Applicability. Subsection 011.03 applies to both basic reserves and deficiency reserves. Any set of select mortality factors may be used only for the first segment. But if the first segment is less than ten (10) years, the appropriate “ten year select factors” may be used thereafter through the tenth policy year from the date of issue. ()

04. Gross Premiums. In determining basic reserves or deficiency reserves, guaranteed gross premiums without policy fees may be used where the calculation involves the guaranteed gross premium but only if the policy fee is a level dollar amount after the first policy year. In determining deficiency reserves, policy fees may be included in guaranteed gross premiums, even if excluded from the actual calculation of basic reserves. ()

05. Changes in Guarantees. Reserves for policies that have changes to guaranteed gross premiums, guaranteed benefits, guaranteed charges, or guaranteed credits that are unilaterally made by the insurer after issue and that are effective for more than one (1) year after the date of the change will be the greatest of the following: ()

a. Reserves calculated ignoring the guarantee; ()

b. Reserves assuming the guarantee was made at issue; and ()

c. Reserves assuming that the policy was issued on the date of the guarantee. ()

06. Reserve Adequacy. The Director may require that the company document the extent of the

adequacy of reserves for specified blocks, including but not limited to policies issued prior to the effective date of this chapter. This documentation may include a demonstration of the extent to which aggregation with other non-specified blocks of business is relied on in forming the appointed actuary opinion pursuant to and consistent with the requirements of the Actuarial and Memorandum Rule, IDAPA 18.07.09, Section 022. ()

012. CALCULATING MINIMUM VALUATION STANDARD FOR POLICIES WITH GUARANTEED NONLEVEL GROSS PREMIUMS OR GUARANTEED NONLEVEL BENEFITS (BESIDES UNIVERSAL LIFE POLICIES).

01. Basic Reserves. Basic reserves are calculated as the greater of the segmented reserves and the unitary reserves. Both the segmented reserves and the unitary reserves for any policy will use the same valuation mortality table and selection factors. An insurer may make either of these adjustments when calculating segmented reserves and net premiums: ()

a. Treat the unitary reserve, if greater than zero (0), applicable at the end of each segment as a pure endowment and subtract the unitary reserve, if greater than zero (0), applicable at the start of each segment from the present value of guaranteed life insurance and endowment benefits for each segment; or ()

b. Treat the guaranteed cash surrender value, if greater than zero (0), applicable at the end of each segment as a pure endowment; and subtract the guaranteed cash surrender value, if greater than zero (0), applicable at the start of each segment from the present value of guaranteed life insurance and endowment benefits for each segment. ()

02. Deficiency Reserves. ()

a. The deficiency reserve at any duration will be calculated: ()

i. On a unitary basis if the corresponding basic reserve determined by Subsection 012.01 is unitary; ()

ii. On a segmented basis if the corresponding basic reserve determined by Subsection 012.01 is segmented; or ()

iii. On the segmented basis if the corresponding basic reserve determined by Subsection 012.01 is equal to both the segmented reserve and the unitary reserve. ()

b. Subsection 012.02 applies to any policy for which the guaranteed gross premium at any duration is less than the corresponding modified net premium calculated by the method used in determining the basic reserves, but using the minimum valuation standards of mortality (specified in Subsection 011.02 and rate of interest). ()

c. Deficiency reserves, if any, are calculated for each policy as the excess if more than zero (0), for the current and all remaining periods, of the quantity A over the basic reserve, where A is obtained as indicated in Subsection 011.02. ()

d. For deficiency reserves determined on a segmented basis, the quantity A is determined using segment lengths equal to those determined for segmented basic reserves. ()

03. Minimum Value. Basic reserves will at least equal the tabular cost of insurance for the balance of the policy year, if mean reserves are used. Basic reserves will at least equal the tabular cost of insurance for the balance of the current modal period or to the paid-to-date, if later, but not beyond the next policy anniversary, if mid-terminal reserves are used. The tabular cost of insurance will use the same valuation mortality table and interest rates as that used to calculate the segmented reserves. But if select mortality factors are used, they will be the “ten year select factors”. Total reserves (including basic reserves, deficiency reserves and any reserves held for supplemental benefits that would expire at contract termination) never may be less than the amount that the policyowner would receive (including the cash surrender value of the supplemental benefits, if any, referred to above), exclusive of any deduction for policy loans, when the policy terminates. ()

04. Unusual Pattern of Guaranteed Cash Surrender Values. ()

a. For any policy with an unusual pattern of guaranteed cash surrender values, the reserves held before the first unusual guaranteed cash surrender value will at least equal the reserves calculated by treating the first unusual guaranteed cash surrender value as a pure endowment and treating the policy as an n year policy providing term insurance plus a pure endowment equal to the unusual cash surrender value, where n is the number of years from the date of issue to the date the unusual cash surrender value is scheduled. ()

b. The reserves held after any unusual guaranteed cash surrender value will at least equal the reserves calculated by treating the policy as an n year policy providing term insurance plus a pure endowment equal to the next unusual guaranteed cash surrender value, and treating any unusual guaranteed cash surrender value at the end of the prior segment as a net single premium, where: ()

i. n is the number of years from the date of the last unusual guaranteed cash surrender value before the valuation date to the earlier of: ()

(1) The date of the next unusual guaranteed cash surrender value, if any, that is scheduled after the valuation date; or ()

(2) The mandatory expiration date of the policy; and ()

ii. The net premium for a given year during the n year period equals the product of the net to gross ratio and the respective gross premium; and ()

iii. The net to gross ratio equals Item One (1) divided by Item Two (2) as follows: ()

(1) The present value, at the start of the n year period, of death benefits payable during the n year period plus the present value, at the start of the n year period, of the next unusual guaranteed cash surrender value, if any, minus the amount of the last unusual guaranteed cash surrender value, if any, scheduled at the start of the n year period. ()

(2) The present value, at the start of the n year period, of the scheduled gross premiums payable during the n year period. ()

c. For Subsection 012.04, a policy has an unusual pattern of guaranteed cash surrender values if any future guaranteed cash surrender value exceeds the prior year's guaranteed cash surrender value by more than the sum of: ()

i. One hundred ten percent (110%) of the scheduled gross premium for that year; ()

ii. One hundred ten percent (110%) of one (1) year's accrued interest on the sum of the prior year's guaranteed cash surrender value and the scheduled gross premium using the nonforfeiture interest rate used for calculating policy guaranteed cash surrender values; and ()

iii. Five percent (5%) of the first policy year surrender charge, if any. ()

05. Optional Exemption for Yearly Renewable Term (YRT) Reinsurance. A company may opt to use this approach for reserves on YRT reinsurance: ()

a. Calculate the valuation net premium for each future policy year as the tabular cost of insurance for that future year; ()

b. Basic reserves will at least equal the tabular cost of insurance for the appropriate period, as defined in Subsection 012.03; ()

c. Deficiency reserves. ()

i. For each policy year, calculate the excess, if greater than zero (0), of the valuation net premium over the respective maximum guaranteed gross premium. ()

ii. Deficiency reserves will at least equal the sum of the present values, at the date of valuation, of the excesses determined in accordance with Subparagraph 012.05.c.i.; ()

d. For Subsection 012.05, the calculations use the maximum valuation interest rate and the 1980 CSO mortality tables with or without “ten year select factors”; ()

e. A reinsurance agreement is YRT reinsurance under Subsection 012.05 if only the mortality risk is reinsured; and ()

f. If the assuming company chooses this optional exemption, the ceding company’s reinsurance reserve credit will be limited to the amount of reserve the assuming company holds for the affected policies. ()

06. Optional Exemption for Attained-Age-Based Yearly Renewable Term Life Insurance Policies.
A company may opt to use this approach for reserves for attained-age-based YRT life insurance policies: ()

a. Calculate the valuation net premium for each future policy year as the tabular cost of insurance for that future year. ()

b. Basic reserves will at least equal to the tabular cost of insurance for the appropriate period, as defined in Subsection 012.03. ()

c. Deficiency reserves: ()

i. For each policy year, calculate the excess, if greater than zero (0), of the valuation net premium over the respective maximum guaranteed gross premium. ()

ii. Deficiency reserves at least equal to the sum of the present values, at the date of valuation, of the excesses determined in accordance with Subparagraph 012.06.c.i. ()

d. For Subsection 012.06, the calculations use the maximum valuation interest rate and the 1980 CSO valuation tables with or without “ten year select factors.” ()

e. A policy is an attained-age-based YRT life insurance policy, under Subsection 012.06, if: ()

i. The premium rates (on both the initial current premium scale and the guaranteed maximum premium scale) are based on the attained age of the insured such that the rate for any given policy at a given attained age of the insured is independent of the year the policy was issued; and ()

ii. The premium rates (on both the initial current premium scale and the guaranteed maximum premium scale) are the same as the premium rates for policies covering all insureds of the same sex, risk class, plan of insurance and attained age. ()

f. For policies that become attained-age-based YRT policies after an initial coverage period, the approach of Subsection 012.06 may be used after the initial period if: ()

i. The initial period is constant for all insureds of the same sex, risk class and plan of insurance; or ()

ii. The initial period runs to a common attained age for all insureds of the same sex, risk class, and plan of insurance; and ()

iii. After the initial period, the policy meets the conditions of Paragraph 012.06.e.; and ()

g. If this election is made, this approach will be applied to determine reserves for all attained-age-

based YRT life insurance policies issued on or after this chapter's effective date. ()

07. Exemption from Unitary Reserves for Certain n-Year Renewable Term Life Insurance Policies. Unitary basic reserves and unitary deficiency reserves need not be calculated for a policy if the following conditions are met: ()

a. The policy consists of a series of n -year periods, including the first period and all renewal periods, where n is the same for each period, except that for the final renewal period, n may be truncated or extended to reach the expiry age, provided that this final renewal period is less than ten (10) years and less than twice the size of the earlier n -year periods, and for each period, the premium rates on both the initial current premium scale and the guaranteed maximum premium scale are level; ()

b. The guaranteed gross premiums in all n -year periods are not less than the corresponding net premiums based on the 1980 CSO Table with or without the "ten year select factors;" and ()

c. There are no cash surrender values in any policy year. ()

08. Exemption From Unitary Reserves for Certain Juvenile Policies. Unitary basic reserves and unitary deficiency reserves need not be calculated for a policy if these conditions are met, based on the initial current premium scale at issue: ()

a. At issue, the insured is age twenty-four (24) or younger; ()

b. Until the insured reaches the end of the juvenile period, which will occur at or before age twenty-five (25), the gross premiums and death benefits are level, and there are no cash surrender values; and ()

c. After the end of the juvenile period, gross premiums are level for the remainder of the premium paying period, and death benefits are level for the remainder of the life of the policy. ()

013. CALCULATING MINIMUM VALUATION STANDARD FOR FLEXIBLE PREMIUM AND FIXED PREMIUM UNIVERSAL LIFE INSURANCE POLICIES THAT CONTAIN PROVISIONS RESULTING IN THE ABILITY OF A POLICY OWNER TO KEEP A POLICY IN FORCE OVER A SECONDARY GUARANTEE PERIOD.

01. General. ()

a. Policies with a secondary guarantee include: ()

i. A policy with a guarantee that the policy will remain in force at the original schedule of benefits, subject only to paying specified premiums; ()

ii. A policy in which the minimum premium at any duration is less than the corresponding one (1) year valuation premium, calculated using the maximum valuation interest rate and the 1980 CSO valuation tables with or without "ten year select factors;" or ()

iii. A policy with any combination of Subparagraphs 013.01.a.i. and 013.01.a.ii. ()

b. A secondary guarantee period is the period for which the policy is guaranteed to remain in force subject only to a secondary guarantee. When a policy contains more than one secondary guarantee, the minimum reserve will be the greatest of the respective minimum reserves at that valuation date of each unexpired secondary guarantee, ignoring all other secondary guarantees. Secondary guarantees that the insurer unilaterally changes after issue will be considered to have been made at issue. Reserves described in Subsections 013.02 and 013.03 below will be recalculated from issue to reflect these changes. ()

c. Specified premiums mean the premiums specified in the policy, the payment of which guarantees that the policy will remain in force at the original schedule of benefits, but which otherwise would be insufficient to keep the policy in force in the absence of the guarantee if maximum mortality and expense charges and minimum

interest credits were made and any applicable surrender charges were assessed. ()

d. For Section 013, the minimum premium for any policy year is the premium that, when paid into a policy with a zero (0) account value at the start of the policy year, produces a zero (0) account value at the end of the policy year. The minimum premium calculation will use the policy cost factors (including mortality charges, loads and expense charges) and the interest crediting rate, which are all guaranteed at issue. ()

e. The one (1) year valuation premium means the net one (1) year premium based on the original schedule of benefits for a given policy year. The one (1) year valuation premiums for all policy years are calculated at issue. The select mortality factors defined in Paragraphs 011.02.b., 011.02.c., and 011.02.d. cannot be used to calculate the one (1) year valuation premiums. ()

f. The one (1) year valuation premium should reflect the frequency of fund processing, and the distribution of deaths assumption employed in the calculation of the monthly mortality charges to the fund. ()

02. Basic Reserves for Secondary Guarantees. Basic reserves for secondary guarantees will be the segmented reserves for the secondary guarantee period. In calculating the segments and the segmented reserves, the gross premiums will be set equal to the specified premiums, if any, or otherwise to the minimum premiums, that keep the policy in force and the segments will be determined according to the “contract segmentation method.” ()

03. Deficiency Reserves for Secondary Guarantees. Any deficiency reserves for secondary guarantees will be calculated for the secondary guarantee period as described in Subsection 012.02 with gross premiums set equal to the specified premiums, if any, or otherwise to the minimum premiums that keep the policy in force. ()

04. Minimum Reserves. The minimum reserves during the secondary guarantee period are the greater of: ()

a. The basic reserves for the secondary guarantee plus the deficiency reserve, if any, for the secondary guarantees; or ()

b. The minimum reserves prescribed by other rules or rules governing universal life plans. ()

014. -- 999. (RESERVED)

IDAPA 18 – DEPARTMENT OF INSURANCE
18.07.08 – PROPERTY AND CASUALTY ACTUARIAL OPINION RULE
DOCKET NO. 18-0708-2201 (ZBR CHAPTER REWRITE)
NOTICE OF RULEMAKING – PROPOSED RULE

AUTHORITY: In compliance with Section 67-5221(1), Idaho Code, notice is hereby given that this agency has initiated proposed rulemaking procedures. The action is authorized pursuant to Sections 41-211, Idaho Code.

PUBLIC HEARING SCHEDULE: Public hearing concerning this rulemaking will be held as follows:

Tuesday, July 26, 2022 2:00 p.m. to 3:30 p.m. (MT)
<i>In-person participation is available at:</i> Department of Insurance 700 W State St, 3rd Floor Conference Room A Boise, Idaho 83702
<i>Phone or virtual participation via Webex is available at:</i> Join WebEx Meeting Meeting Number (Access Code): 2451 825 4219 Meeting Password: fN4m3AqFSr3
<i>Join by phone at: 1-720-650-7664</i>

The hearing sites will be accessible to persons with disabilities. Requests for accommodation must be made not later than five (5) days prior to the hearing, to the agency address below.

DESCRIPTIVE SUMMARY: The following is a nontechnical explanation of the substance and purpose of the proposed rulemaking:

The purpose of this rule provides the Director with additional means to monitor insurer's loss reserves in accordance with Section 41-610, Idaho code. This rulemaking clarifies language and removes duplicative language.

FEE SUMMARY: The following is a specific description of the fee or charge imposed or increased: N/A.

FISCAL IMPACT: The following is a specific description, if applicable, of any negative fiscal impact on the state general fund greater than ten thousand dollars (\$10,000) during the fiscal year as a result of this rulemaking: None.

NEGOTIATED RULEMAKING: Pursuant to Section 67-5220(1), Idaho Code, negotiated rulemaking was conducted. The Notice of Intent to Promulgate Rules - Negotiated Rulemaking was published in the April 6, 2022 Idaho Administrative Bulletin, [Vol. 22-04, pages 37-38](#), under Docket No. 18-ZBRR-2201.

INCORPORATION BY REFERENCE: Pursuant to Section 67-5229(2)(a), Idaho Code, the following is a brief synopsis of why the materials cited are being incorporated by reference into this rule: N/A

ASSISTANCE ON TECHNICAL QUESTIONS, SUBMISSION OF WRITTEN COMMENTS: For assistance on technical questions concerning the proposed rule, contact Weston Trexler, (208) 334-4214, weston.trexler@doi.idaho.gov.

Anyone may submit written comments regarding this proposed rulemaking. All written comments must be directed to the undersigned and must be delivered on or before July 27, 2022.

DATED this June 3, 2022.

Dean L. Cameron, Director
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID, 83720-0043
Phone: (208) 334-4250
Fax: (208) 334-4398

THE FOLLOWING IS THE PROPOSED TEXT OF DOCKET NO. 18-0708-2201
(Zero Based Regulation (ZBR) Chapter Rewrite)

18.07.08 – PROPERTY AND CASUALTY ACTUARIAL OPINION RULE

000. LEGAL AUTHORITY.

Title 41, Chapter 2, Idaho Code. ()

001. SCOPE.

This rule applies to annual statements filed by property and casualty companies doing business in Idaho, and provides the Director the means to monitor an insurer's loss reserves per Section 41-610, Idaho Code. ()

002. -- 020. (RESERVED)

021. ACTUARIAL OPINION OF RESERVES AND SUPPORTING DOCUMENTATION.

01. Statement of Actuarial Opinion, Opinion Summary and Actuarial Report and Work Papers. ()

a. A property and casualty insurance company doing business in Idaho, unless exempted by the domiciliary commissioner, will annually file an Appointed Actuary's "Statement of Actuarial Opinion," per NAIC Property and Casualty Annual Statement Instructions. ()

b. Every property and casualty insurance company domiciled in Idaho filing a Statement of Actuarial Opinion will, it must also file an Actuarial Opinion Summary, written by the company's Appointed Actuary, per the NAIC Property and Casualty Annual Statement Instructions. ()

c. A company licensed, but not domiciled, in Idaho will file the Actuarial Opinion Summary upon request. ()

d. An Actuarial Report and work papers as prescribed by the NAIC Property and Casualty Annual Statement Instructions will support each Actuarial Opinion. ()

e. If the company fails to file a supporting Actuarial Report or work papers at the Director's request, or the Director determines the Actuarial Report or work papers do not comply with the NAIC Property and Casualty

Annual Statement Instructions or are otherwise unacceptable, the Director may hire a qualified actuary, at company expense, to review the Actuarial Opinion, and prepare the supporting Actuarial Report or work papers. ()

022. CONFIDENTIALITY.

01. The Statement of Actuarial Opinion. Will be filed with the Annual Statement per NAIC Property and Casualty Annual Statement Instructions and be a public record. ()

02. Actuarial Report. ()

a. The Actuarial Report, work papers or Actuarial Opinion Summary in support of the Actuarial Opinion, and any other records the company provides to the Director in connection thereto, are exempt from public disclosure under Section 74-107(5), Idaho Code. ()

b. This provision does not limit the Director's authority to release these records to the Actuarial Board for Counseling and Discipline (ABCD) so long as they are needed for professional disciplinary proceedings and the ABCD establishes procedures satisfactory to the Director regarding disclosing the records; nor the Director's authority to use the records to further the Director's regulatory or legal actions. ()

03. Waiver. Disclosing records to the Director waives no privilege or claim of confidentiality in the records. ()

023. -- 999. (RESERVED)

IDAPA 18 – DEPARTMENT OF INSURANCE
18.07.09 – LIFE AND HEALTH ACTUARIAL OPINION AND MEMORANDUM RULE
DOCKET NO. 18-0709-2201 (ZBR CHAPTER REWRITE)
NOTICE OF RULEMAKING – PROPOSED RULE

AUTHORITY: In compliance with Section 67-5221(1), Idaho Code, notice is hereby given that this agency has initiated proposed rulemaking procedures. The action is authorized pursuant to Sections 41-211, Idaho Code.

PUBLIC HEARING SCHEDULE: Public hearing concerning this rulemaking will be held as follows:

Tuesday, July 26, 2022 2:00 p.m. to 3:30 p.m. (MT)
<i>In-person participation is available at:</i> Department of Insurance 700 W State St, 3rd Floor Conference Room A Boise, Idaho 83702
<i>Phone or virtual participation via Webex is available at:</i> Join WebEx Meeting Meeting Number (Access Code): 2451 825 4219 Meeting Password: fN4m3AqFSr3
<i>Join by phone at: 1-720-650-7664</i>

The hearing sites will be accessible to persons with disabilities. Requests for accommodation must be made not later than five (5) days prior to the hearing, to the agency address below.

DESCRIPTIVE SUMMARY: The following is a nontechnical explanation of the substance and purpose of the proposed rulemaking:

The purpose of this rule allows the appointed actuary to use professional judgement and opinion in asset analysis and supporting communication. Also, the rule provides the Director with authority to specify methods and assumptions of actuarial analysis in order to render adequacy of reserves and related items. This rulemaking clarifies language and removes duplicative language.

FEE SUMMARY: The following is a specific description of the fee or charge imposed or increased: N/A.

FISCAL IMPACT: The following is a specific description, if applicable, of any negative fiscal impact on the state general fund greater than ten thousand dollars (\$10,000) during the fiscal year as a result of this rulemaking: None.

NEGOTIATED RULEMAKING: Pursuant to Section 67-5220(1), Idaho Code, negotiated rulemaking was conducted. The Notice of Intent to Promulgate Rules - Negotiated Rulemaking was published in the April 6, 2022 Idaho Administrative Bulletin, Vol. 22-04, pages 37-38, under Docket No. 18-ZBRR-2201.

INCORPORATION BY REFERENCE: Pursuant to Section 67-5229(2)(a), Idaho Code, the following is a brief synopsis of why the materials cited are being incorporated by reference into this rule: N/A

ASSISTANCE ON TECHNICAL QUESTIONS, SUBMISSION OF WRITTEN COMMENTS: For assistance on technical questions concerning the proposed rule, contact Weston Trexler, (208) 334-4214, weston.trexler@doi.idaho.gov.

Anyone may submit written comments regarding this proposed rulemaking. All written comments must be directed to the undersigned and must be delivered on or before July 27, 2022.

DATED this June 3, 2022.

Dean L. Cameron, Director
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
Boise, ID, 83720-0043
Phone: (208) 334-4250
Fax: (208) 334-4398

THE FOLLOWING IS THE PROPOSED TEXT OF DOCKET NO. 18-0709-2201
(Zero Based Regulation (ZBR) Chapter Rewrite)

18.07.09 – LIFE AND HEALTH ACTUARIAL OPINION AND MEMORANDUM RULE

000. LEGAL AUTHORITY.

Title 41, Chapter 2, Idaho Code. ()

001. SCOPE.

01. Application of Rule. This rule applies to all life insurance companies and fraternal benefit societies doing business in Idaho and to all life insurance companies and fraternal benefit societies that are authorized to reinsure life insurance, annuities or accident and health insurance business in Idaho. This regulation will be applied to allow the appointed actuary to use their professional judgment in performing the asset analysis and developing the actuarial opinion and supporting memoranda, consistent with actuarial standards of practice. But the Director may specify methods of actuarial analysis and actuarial assumptions that the Director deems necessary for an acceptable opinion to be rendered on the adequacy of reserves and related items. ()

02. Application to All Annual Statements. This rule applies to all annual statements filed with the Director. A statement of opinion on the adequacy of reserves and related actuarial items based on an asset adequacy analysis per Section 022, and a supporting memorandum per Section 023, will be needed each year. ()

03. Purpose. This rule prescribes: ()

a. Guidelines and standards for statements of actuarial opinion which are to be submitted per Section 41-612(12), Idaho Code, and for supporting memoranda; ()

b. Rules for appointing an appointed actuary; and ()

c. Guidelines on the meaning of adequacy of reserves. ()

002. -- 009. (RESERVED)

010. DEFINITIONS.

01. Actuarial Opinion. An Appointed Actuary’s opinion on reserve adequacy and related actuarial items based on an asset adequacy test per Section 022 and presently accepted actuarial standards. ()

02. Actuarial Standards Board. The board established by the American Academy of Actuaries to develop standards of actuarial practice. ()

03. Asset Adequacy Analysis. An analysis that meets the standards and requirements in Subsection 021.04. ()

04. Company. A life insurance company, fraternal benefit society or reinsurer subject to this rule. ()

011. -- 020. (RESERVED)

021. GENERAL REQUIREMENTS.

01. Submitting Statement of Actuarial Opinion. ()

a. For each year, starting with the year in which this rule takes effect, the annual statement’s first page will include or attach the statement of an appointed actuary, entitled “Statement of Actuarial Opinion,” setting forth an opinion on reserves and related actuarial items held in support of policies and contracts, per Section 022. ()

b. Upon written request by the company, the Director may grant an extension to submit the statement of actuarial opinion. ()

02. Qualified Actuary. An individual who: ()

a. Is a member in good standing of the American Academy of Actuaries; and ()

b. Is qualified to sign statements of actuarial opinion for life and health insurance company annual statements per the American Academy of Actuaries qualification standards; and ()

c. Is familiar with the valuation requirements applicable to life and health insurance companies; and ()

d. Has not been found by the Director (or if so found has later been reinstated as a qualified actuary), after appropriate notice and hearing, to have; ()

i. Violated any provision of, or any obligation imposed by any law in the course of their dealings as a qualified actuary; or ()

ii. Been found guilty of fraudulent or dishonest practices; or ()

iii. Demonstrated incompetency, lack of cooperation, or untrustworthiness to act as a qualified actuary; or ()

iv. Filed with the Director during the past five (5) years, pursuant to this rule, an actuarial opinion or memorandum that the Director rejected because it violated this rule, including standards set by the Actuarial Standards Board; or ()

v. Resigned, or been removed as an actuary, within the past five (5) years because of acts or omissions indicated in any adverse report on examination or as a result not adhering to generally accepted actuarial standards; and ()

e. Has not failed to notify the Director of any action taken by any Director of any other state similar to ()

that under Paragraph 021.02.d. ()

03. Appointed Actuary. A qualified actuary who is appointed or retained to prepare the Statement of Actuarial Opinion prescribed by this rule; either directly by or by the authority of the board of directors through an executive officer of the company. The company will timely notify the Director in writing of the name, title (and, in the case of a consulting actuary, the name of the firm) and manner of appointment or retention of each person appointed or retained by the company as an appointed actuary. The notice will state that the person meets the requirements of Subsection 021.02. The company will timely notify the Director if the actuary ceases to be appointed or retained as an appointed actuary or to meet the requirements of Subsection 021.02. If any person appointed or retained as an appointed actuary replaces a previously appointed actuary, the notice will so state and give the reasons for replacement. ()

04. Standards for Asset Adequacy Analysis. The asset adequacy analysis prescribed by this rule: ()

a. Will conform to the standards of practice promulgated by the Actuarial Standards Board and to any additional standards under this rule, which standards are to form the basis of the statement of actuarial opinion per Section 021; and ()

b. Will be based on methods of analysis as are deemed appropriate for such purposes by the Actuarial Standards Board. ()

05. Liabilities to Be Covered. ()

a. Under authority of Section 41-612(12), Idaho Code, the statement of actuarial opinion will apply to all in force business on the statement date regardless of when or where issued, e.g., Aggregate Reserve for Life Contracts, Aggregate Reserve for Accident and Health Contracts, reserves for Deposit Type Contracts, and Claims for Life and Health Contracts as reported in Exhibits of the annual statement, and equivalent items in the separate account statement or statements of the annual statement. ()

b. If the appointed actuary determines from asset adequacy analysis that the company should hold a reserve in addition to the company's aggregate reserve and calculated as described in Section 41-612(12), Idaho Code, the company will establish such additional reserve. ()

c. Additional reserves established under this Subsection and deemed unnecessary in later years may be released. Released amounts need to be disclosed in the actuarial opinion for the applicable year. The Director will not deem the release of such reserves to reflect a lower standard of valuation. ()

022. STATEMENT OF ACTUARIAL OPINION BASED ON AN ASSET ADEQUACY ANALYSIS.

01. General Description. The statement of actuarial opinion submitted under this section will consist of; ()

a. A paragraph identifying the appointed actuary and qualifications; ()

b. 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 analysis method, and identifying the reserves and related actuarial items covered by the opinion that have not been so analyzed; ()

c. 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. Supported by a statement of each such expert in the form prescribed by Subsection 022.05; and ()

d. An opinion paragraph expressing the appointed actuary's opinion on the adequacy of the supporting assets to mature the liabilities. ()

- e. One (1) or more additional paragraphs will be needed in these cases; ()
- i. If the appointed actuary considers it necessary to state a qualification of his opinion; ()
- ii. If the appointed actuary needs to disclose an inconsistency between the analysis method or basis of asset allocation used on the prior opinion date and those used for this opinion; ()
- iii. If the appointed actuary needs to disclose whether additional reserves of the prior opinion date are released as of this opinion date, and the extent of the release; or ()
- iv. If the appointed actuary chooses to add a paragraph briefly describing the assumptions forming the basis for the actuarial opinion. ()

02. Recommended Language. The Department has adopted recommended language, available on the Department’s website, which in typical circumstances should be in the statement of actuarial opinion. The language may be modified to meet the circumstances of a particular case, but the appointed actuary should use language that clearly expresses their professional judgment. The opinion will, in any event, retain all pertinent aspects of the language provided. ()

03. Assumptions for New Issues. Changing an actuarial assumption for new issues, claims, or other liabilities that used for prior new issues, claims, or other liabilities is not a change in actuarial assumptions within the meaning of this Section. ()

04. Adverse Opinions. If the appointed actuary cannot form an opinion, then they will refuse to issue a statement of actuarial opinion. If the appointed actuary’s opinion is adverse or qualified, then they will issue an adverse or qualified actuarial opinion expressing the reason(s) for such opinion. This statement should follow the scope paragraph and precede the opinion paragraph. ()

05. Reliance on Data 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, then the actuarial opinion should identify the persons the actuary relies upon and precisely identify the items subject to reliance. The persons on whom the appointed actuary relies will also certify precisely what items the person provided information on and the extent to which those items are accurate, complete, or reasonable. The certification will include the person’s signature, title, company, address and telephone number and the date on which it is signed. ()

023. ALTERNATE OPTION.

01. Standard Valuation Law. The Standard Valuation Law broadly authorizes the Director to accept a foreign insurer’s valuation that meets the requirements for an Idaho-domiciled company. As an alternative to meeting the minimum aggregate amounts for Idaho, the Director may make one (1) or more of these approaches available to the opining actuary: ()

a. A statement that the reserves “meet the requirements of the insurance laws and regulations of the State of [state of domicile] and the formal written standards and conditions of this state for filing an opinion based on the law of the state of domicile.” If the Director chooses to allow this alternative, a formal written list of standards and conditions will be made available. If a company chooses to use this alternative, the standards and conditions in effect on July 1 of a calendar year will apply to statements for that calendar year, and they will remain in effect until they are revised or revoked. If no list is available, this alternative is not available. ()

b. A statement that the reserves “meet the requirements of the insurance laws and regulations of the State of [state of domicile] and I have verified that the company’s request to file an opinion based on the law of the state of domicile has been approved and that any conditions prescribed by the Director for approval of that request have been met.” If the Director chooses to allow this alternative, a formal written statement of such allowance will be issued no later than March 31 of the year it is first effective. It will remain valid until rescinded or modified by the

Director. The rescission or modifications will be issued no later than March 31 of the year they are first effective. After that statement has issued, if a company chooses to use this alternative, the company will file a request to do so, along with justification for its use, no later than April 30 of the year of the opinion to be filed. The request is deemed approved on October 1 of that year if the Director has not denied it. ()

c. A statement that the reserves “meet the requirements of the insurance laws and regulations of the State of [state of domicile] and I have submitted the prescribed comparison as specified by this state.” ()

i. If the Director chooses to allow this alternative, a formal written list of products (to be added to the table in Item (ii) below) for which the prescribed comparison will be provided will be published. If a company chooses to use this alternative, the list in effect on July 1 of a calendar year will apply to statements for that calendar year, and it will remain in effect until revised or revoked. If no list is available, this alternative is not available. ()

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

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

()

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

iv. If there is no codification standard for the type of product or risk in force, or if the codification standard does not directly address the type of product or risk in force, the appointed actuary will detail the specific method and assumptions used to determine the reserves held. ()

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

d. Notwithstanding the above, the Director may reject an opinion based on the laws and regulations of the state of domicile and require an opinion based on Idaho law. If a company does not provide the opinion within sixty (60) days of the request or such other time period set by the Director after consulting with the company, the Director may hire an independent actuary at the company’s expense to prepare and file the opinion. ()

024. DESCRIPTION OF ACTUARIAL MEMORANDUM INCLUDING AN ASSET ADEQUACY ANALYSIS AND REGULATORY ASSET ADEQUACY ISSUES SUMMARY.

01. General. ()

a. Per Section 41-612(12), Idaho Code, the appointed actuary will prepare a memorandum to the company describing the analysis done to support their opinion on the reserves. The memorandum will be made available for the Director’s examination upon request, but it will be returned to the company after the examination and cannot be considered a record of the insurance Department or subject to automatic filing with the Director. ()

b. In preparing the memorandum, the appointed actuary may rely on, and include as a part of their own memorandum, memoranda prepared and signed by other actuaries who are qualified within the meaning of

Subsection 021.02, with respect to the areas covered in such memoranda, and so state in their memorandum. ()

c. If the Director requests a memorandum that does not exist, or if the Director finds the memorandum's analysis violates the standards of the Actuarial Standards Board or the standards and requirements of this rule, the Director may designate a qualified actuary to review the opinion and prepare supporting memorandum. The company will pay, subject to the Director's direction and control, the reasonable and necessary expense of the independent review. ()

d. The reviewing actuary will have the same status as an examiner for purposes of obtaining data from the company, and the Director will retain the reviewing actuary's work papers and documentation. But any information provided by the company to the reviewing actuary and included in the work papers will be considered as examination workpapers and will be kept confidential to the same extent as prescribed by Section 41-227, Idaho Code. The reviewing actuary cannot be an employee of a consulting firm involved with the preparation of any prior memorandum or opinion for the insurer under this rule for the current year or any of the preceding three (3) years. ()

e. Per Section 41-612(12), Idaho Code, the appointed actuary will prepare a regulatory asset adequacy issues summary, the contents of which are specified in Subsection 024.03. This summary will be submitted by March 15 of the year after the year for which a statement of actuarial opinion based on asset adequacy is mandatory. The summary is confidential and exempt from public disclosure under Sections 41-612(12) and 74-107(5), Idaho Code. ()

f. Per Section 41-612(12)(d)(iv), the Director will accept a foreign or alien company's regulatory asset adequacy issues summary, on file with the insurance supervisory official of another state, if the Director determines the summary reasonably meets the requirements for a company domiciled in Idaho. Thus, foreign or alien insurers that had to file the regulatory asset adequacy issues summary in their home state are exempt from filing in Idaho, except upon Director request, if the other state has substantially similar reporting requirements and the summary is timely filed with the other state's commissioner. ()

02. Details of the Memorandum Section Documenting Asset Adequacy Analysis (Section 022).
When an actuarial opinion under Section 022 is provided, the memorandum will show the analysis has been done per the asset-adequacy standards in Subsection 021.04 and any additional standards under this rule. It will specify; ()

- a. For reserves; ()
 - i. Product descriptions including market description, underwriting and other aspects of a risk profile and the specific risks the appointed actuary deems significant; ()
 - ii. Source of liability in force; ()
 - iii. Reserve method and basis; ()
 - iv. Investment reserves; ()
 - v. Reinsurance arrangements; and ()
 - vi. Identification of any explicit or implied guarantees made by the general account in support of benefits provided through a separate account or under a separate account policy or contract and the methods used by the appointed actuary to provide for the guarantees in the asset adequacy analysis. ()

- b. Documentation of assumptions to test reserves, such that an actuary reviewing the actuarial memorandum could form a conclusion as to their reasonableness, for: ()
 - i. Lapse rates (both base and excess); ()

- ii. Interest crediting rate strategy; ()
- iii. Mortality; ()
- iv. Policyholder dividend strategy; ()
- v. Competitor or market interest rate; ()
- vi. Annuitization rates; ()
- vii. Commissions and expenses; and ()
- viii. Morbidity. ()
- c. For assets: ()
 - i. Portfolio descriptions, including a risk profile disclosing the quality, distribution and types of assets; ()
 - ii. Investment and disinvestment assumptions; ()
 - iii. Asset data source; ()
 - iv. Asset valuation bases. ()
- d. Documentation of assumptions, such that an actuary reviewing the actuarial memorandum could form a conclusion as to their reasonableness, for: ()
 - i. Default costs; ()
 - ii. Bond call function; ()
 - iii. Mortgage prepayment function; ()
 - iv. Determining market value for assets sold due to disinvestment strategy; and ()
 - v. Determining yield on assets acquired through the investment strategy. ()
- e. For the analysis basis: ()
 - i. Methodology; ()
 - ii. Rationale for inclusion/exclusion of different blocks of business and how pertinent risks were analyzed; ()
 - iii. Rationale for degree of rigor in analyzing different blocks of business (include in the rationale the level of “materiality” that was used in determining how rigorously to analyze different blocks of business); ()
 - iv. Criteria for determining asset adequacy (include in the criteria the precise basis for determining if assets are adequate to cover reserves under “moderately adverse conditions” or other conditions as specified in relevant actuarial standards of practice); ()
 - v. Whether the impact of federal income taxes was considered and the method of treating reinsurance in the asset adequacy analysis. ()
- f. Summary of material changes in methods, procedures, or assumptions from prior year’s asset adequacy analysis; ()

- g.** Summary of Results; ()
- h.** Conclusion(s). ()
- i.** The regulatory asset adequacy issues summary will include: ()

 - i. Descriptions of the tested scenarios (including whether they are stochastic or deterministic) and the sensitivity testing done relative to those scenarios. If negative-ending surplus results under certain tests in the aggregate, the actuary should describe those tests and the amount of additional reserve as of the valuation date which, if held, would eliminate the negative aggregate surplus values. Ending surplus values will be determined by extending the projection period until the in force and associated assets and liabilities at the end of the projection period are immaterial, or by adjusting the surplus amount at the end of the projection period by an amount that appropriately estimates the value that can reasonably be expected to arise from the assets and liabilities remaining in force; ()
 - ii. The extent to which the appointed actuary uses assumptions in the asset adequacy analysis that materially differ from assumptions in the previous asset adequacy analysis; ()
 - iii. The amount of reserves and the identity of the product lines that were subjected to asset adequacy analysis in the prior opinion but that were not analyzed for the current opinion; ()
 - iv. Comments on any interim results that significantly concern the appointed actuary. For example, the impact of the insufficiency of assets to support the payment of benefits and expenses and the establishment of statutory reserves during one or more interim periods; ()
 - v. The actuary’s methods for recognizing how reinsurance impacts the company’s cash flows, including both assets and liabilities, under each tested scenario; and ()
 - vi. Whether the actuary is satisfied that the asset adequacy analysis appropriately considered all options explicit or embedded in any asset or liability (including those affecting cash flows embedded in fixed income securities) and equity-like features in any investments. ()
- j.** The regulatory asset adequacy issues summary will name the company for which the regulatory asset adequacy issues summary is being supplied and be signed and dated by the appointed actuary rendering the actuarial opinion. ()

04. Conformity to Standards of Practice. The memorandum will state:
“Actuarial methods, considerations and analyses used in the preparation of this memorandum conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board, which standards form the basis for this memorandum.” ()

05. Use of Assets Supporting the Interest Maintenance Reserve and the Asset Valuation Reserve. An appropriate allocation of assets in the amount of the Interest Maintenance Reserve (IMR), whether positive or negative, needs to be used in any asset adequacy analysis. Analysis of risks regarding asset default may include an appropriate allocation of assets supporting the Asset Valuation Reserve (AVR); these AVR assets cannot be applied for other risks with respect to reserve adequacy. Analysis of these and other risks may include assets supporting other mandatory or voluntary reserves available to the extent not used for risk analysis and reserve support. The Table of Reserves and Liabilities of the opinion and in the memorandum will disclose the amount of the assets used for the AVR. The memorandum will also disclose the method for selecting particular assets or allocated portions of assets. ()

06. Documentation. The appointed actuary will retain, for at least seven (7) years, sufficient documentation from which to determine the procedures followed, the analyses performed, the bases for assumptions and the results obtained. ()

025. -- 999. (RESERVED)