

LOUISIANA DEPARTMENT OF INSURANCE

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

REGULATION 47 (RE-ENACTED)

The 2020 Statement of Actuarial Opinion (SAO) for Life and Fraternal companies licensed to transact business in Louisiana must comply with the requirements of the foreign company's state of domicile. It is not necessary to directly meet the requirement of Louisiana's Regulation 47 (re-enacted).

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, 2020 REQUIREMENTS

Principle based reserves (PBR) came into effect for new business in 2016. The standard was optional January 1, 2017, and mandatory January 1, 2020. Louisiana companies can test the standard for exemption from PBR and certify to the expectation of meeting the exemption standard using the enclosed submission form. The company must be prepared to support their PBR exemption claim upon request by the Department.

The 2017 CSO Mortality Table became effective for new issue reserves and cash values, optional January 1, 2017, and mandatory January 1, 2020. Supporting documentation is found in VM-20. However, our position remains that neither this table, or the 2001 CSO Mortality Table, will produce adequate reserves for industrial, pre-need and other home service products. **Therefore, the mortality standard for this product class remains the 1980 CSO Ultimate Mortality Table (as discussed below).**

In 2014, the Louisiana Department of Insurance (LDI) amended Rule 8 to recognize the 2012 IAR Mortality Table. Commencing January 1, 2015, this table is the new valuation standard for new individual annuity and pure endowments contracts. Rule 8 also recognizes the 1994 GAR Mortality Table for group annuity issues commencing January 1, 1999.

LDI promulgated 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. Regulation 84 will be amended in 2021. These regulations are discussed herein.

1. Regulation 96

Regulation 96 established the 1980 CSO Ultimate Mortality Table as the valuation standard for industrial, pre-need and other home service products commencing January 1, 2009.

LOUISIANA ACTUARIAL ISSUES UPDATE

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, we are granting an exemption from the mortality statistics-reporting requirement for 2020, 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. **All Louisiana multi-state domestic insurance companies are subject to the asset adequacy analysis requirement.**

4. Regulation 84

Regulation 84 was Louisiana's version of the 2001 CSO Mortality Table Model Regulation. Since the 2017 CSO Mortality Table supplanted the 2001 CSO Mortality Table, this regulation will be amended in 2021 to reflect this fact.

5. Regulation 85

Regulation 85 is Louisiana's version of Regulation XXX.

6. Actuarial Guideline XXXII

This guideline mandates the explicit recognition of the immediate payment of claims (IPC) reserve.

7. Other Actuarial Guidelines

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

LOUISIANA 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 12/31/2020 _____ .

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



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

December 16, 2020

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 the Louisiana Department of Insurance intends to grant exemption from the annual statistical report filing requirement for the calendar year ending December 31, 2020. It is noted that in 2021, we will be reviewing how Regulation 91 applies to the 2017 CSO mortality table.

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

Sincerely,

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



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

December 9, 2020

To: All Louisiana Domestic Company Life Insurance Company Appointed Actuaries

Under the current prevailing interest rate climate, the Society of Actuaries dynamic statutory valuation interest rate generating formula produced interest rates for statutory valuation of 3% and a cash surrender value of 4% for new life insurance policies with lifetime benefits commencing January 1, 2021.

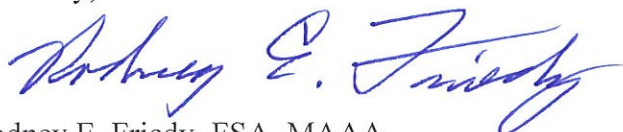
However, under the Louisiana Insurance Code there are peculiarities. LRS 22:753B(3)(a) states: "The interest rates used in determining minimum standard for the valuation of the policies...shall be the calendar year statutory valuation interest rates, as defined in this paragraph, or at the option of the insurer,..., the rate ... of interest provided in Paragraphs (1)...of this Subsection." The "Paragraphs (1)" reference is to LRS 22:753B(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...". Further, the minimum non-forfeiture interest rate is set to 125% of the minimum statutory valuation interest rate rounded up to the next 0.25%. This results in 5.75% value. Thus, the Louisiana Insurance Code codifies a floor on the statutory minimum valuation and cash surrender value interest rate.

Commencing January 1, 2013, the Society of Actuaries dynamic valuation interest rate generator determined that the maximum statutory valuation interest rate for newly issued life insurance business with lifetime benefits to be 3.5%, supplanting the previous 4% standard. 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 was 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 was set to the 1980 CSO and interest of 4.0% for statutory reserves and 5.0% for cash surrender values.

Since the newly introduced statutory valuation and cash value interest rates set to take effect January 1, 2021, would necessitate actuarial pricing costs, thereby causing economic hardship to some of our home service companies, we, at the Louisiana Department of Insurance (LDI), will defer any statutory valuation and cash value interest rate change for limited underwritten business in 2021.

In summary, the LDI statutory minimum valuation standard for new home service and other limited underwritten business remains the 1980 CSO mortality table with interest of 4.0% for valuation and 5.0% for cash surrender values. Multi-state companies must comply with the valuation standards of their foreign states. Further, the new lower interest rates will apply to fully underwritten new ordinary life insurance business commencing January 1, 2021.

Sincerely,

A handwritten signature in blue ink that reads "Rodney E. Friedy". The signature is written in a cursive style with a large, stylized initial 'R'.

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