

Title 23. Public Utilities and Regulated Industries
Chapter I. State Insurance Department, Department of Commerce
Subchapter A. Generally
Part 24. Actuarial Opinion and Memorandum — Multi-State

Codification Notes. This part as promulgated prior to codification into the Code of Arkansas Rules provided as follows:

"Section 2. Authority

This Rule is issued pursuant to the authority vested in the Insurance Commissioner under Ark. Code Ann. § 23-84-113, § 23-61-108, and the Arkansas Administrative Procedures Act, §§ 25-15-201, et seq."

"SECTION 9. Effective Date

The provisions of this Rule shall be effective on January 1, 2009. This Rule shall take effect for annual statements for the year 2009 and filed with the Insurance Commissioner on or before March 15, 2010."

Subpart 1. General Provisions

23 CAR § 24-101. Purpose.

The purpose of this part is to prescribe:

- (1) Requirements for statements of actuarial opinion that are to be submitted in accordance with Arkansas Code § 23-84-112, and for memoranda in support thereof;
- (2) Rules applicable to the appointment of an appointed actuary; and
- (3) Guidance as to the meaning of "adequacy of reserves".

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-102. Severability.

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

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-103. Scope.

(a)(1) This part shall apply to:

(A) All life insurance companies and fraternal benefit societies licensed in Arkansas and licensed in and/or doing business in at least one (1) other state; and

(B) All life insurance companies and fraternal benefit societies that are:

(i) Authorized to reinsure life insurance, annuities, or accident and health insurance licensed in Arkansas; and

(ii) Licensed in and/or doing business in at least one (1) other state.

(2)(A) This part shall be applied in a manner that allows the appointed actuary to utilize his or her professional judgment in performing the asset analysis and developing the actuarial opinion and supporting memoranda, consistent with relevant actuarial standards of practice.

(B) However, the Insurance Commissioner shall have the authority to specify specific methods of actuarial analysis and actuarial assumptions when, in the Insurance Commissioner's judgment, these specifications are necessary for an acceptable opinion to be rendered relative to the adequacy of reserves and related items.

(b)(1) This part shall be applicable to all annual statements filed with the office of the Insurance Commissioner after the effective date of this part.

(2) A statement of opinion on the adequacy of the reserves and related actuarial items based on an asset adequacy analysis in accordance with Subpart 3 of this part, and a memorandum in support thereof in accordance with Subpart 4 of this part shall be required each year.

(c)(1) This part applies only to life insurance and/or accident and health insurance companies and fraternal benefit societies that do business in multiple states including Arkansas, regardless of the company or society's state of domicile.

(2) Actuarial Opinion and Memorandum — Single State, 23 CAR pt. 23, applies to life insurance companies and fraternal benefit societies domiciled in Arkansas and doing business only in Arkansas.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-104. Definitions.

As used in this part:

(1) "Actuarial opinion" means the opinion of an appointed actuary regarding the adequacy of the reserves and related actuarial items based on an asset adequacy analysis in accordance with Subpart 3 of this part and with applicable Actuarial Standards of Practice;

(2) "Actuarial Standards Board" means the board established by the American Academy of Actuaries to develop and promulgate standards of actuarial practice;

(3) "Annual statement" means that statement required by Arkansas Code § 23-63-216 to be filed by the company with the office of the Insurance Commissioner annually;

(4) "Appointed actuary" means an individual who is appointed or retained in accordance with the requirements set forth in 23 CAR § 24-203 to provide the actuarial opinion and supporting memorandum as required by Arkansas Code § 23-84-112;

(5) "Asset adequacy analysis" means an analysis that meets the standards and other requirements referred to in 23 CAR § 24-204;

(6) "Commissioner" means the Insurance Commissioner of this state;

(7) "Company" means a life and/or accident and health insurance company, fraternal benefit society, or reinsurer subject to the provisions of this part; and

(8)(A) "Qualified actuary" means an individual who meets the requirements set forth in 23 CAR § 24-202.

(B) Due to the provisions of Arkansas Code § 23-84-112(d)(5), the term “qualified actuaries” as defined in Actuaries, 23 CAR pt. 10, shall not be deemed to be applicable to and shall not apply to “qualified actuaries” as defined herein, for purposes of complying with the provisions of this part.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

Subpart 2. General Requirements

23 CAR § 24-201. Submission of statement of actuarial opinion.

(a) There is to be included on or attached to Page 1 of the annual statement for each year beginning with the year in which this part becomes effective the statement of an appointed actuary, entitled “Statement of Actuarial Opinion”, setting forth an opinion relating to reserves and related actuarial items held in support of policies and contracts in accordance with Subpart 3 of this part.

(b) Upon written request by the company, the Insurance Commissioner may grant an extension of the date for submission of the statement of actuarial opinion.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-202. Qualified actuary.

A “qualified actuary” is an individual who:

- (1) Is a member in good standing of the American Academy of Actuaries;
- (2) Is qualified to sign statements of actuarial opinion for life and health insurance company annual statements in accordance with the American Academy of Actuaries qualification standards for actuaries signing such statements;
- (3) Is familiar with the valuation requirements applicable to life and health insurance companies;

(4) Has not been found by the Insurance Commissioner, or if so found has subsequently been reinstated as a qualified actuary, following appropriate notice and hearing to have:

(A) Violated any provision of, or any obligation imposed by, the Arkansas Insurance Code or other law in the course of his or her dealings as a qualified actuary;

(B) Been found guilty of fraudulent or dishonest practices;

(C) Demonstrated his or her incompetency, lack of cooperation, or untrustworthiness to act as a qualified actuary;

(D) Submitted to the Insurance Commissioner during the past five (5) years pursuant to this part an actuarial opinion or memorandum that the Insurance Commissioner rejected because it did not meet the provisions of this part including standards set by the Actuarial Standards Board; or

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

(5) Has not failed to notify the Insurance Commissioner of any action taken by any commissioner of any other state similar to that under subdivision (4) of this section.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

Codification Notes. The Arkansas Insurance Code was enacted by Acts 1959, No. 148.

23 CAR § 24-203. Appointed actuary.

(a) An "appointed actuary" is a qualified actuary who is appointed or retained to prepare the statement of actuarial opinion required by this part, either directly by or by the authority of the board of directors through an executive officer of the company other than the qualified actuary.

(b) The company shall:

(1) Give the Insurance Commissioner timely written notice 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; and

(2) State in the notice that the person meets the requirements set forth in 23 CAR § 24-202.

(c)(1) Once notice is furnished, no further notice is required with respect to this person, provided that the company shall give the Insurance Commissioner timely written notice in the event the actuary ceases to be appointed or retained as an appointed actuary or to meet the requirements set forth in 23 CAR § 24-202.

(2) If any person appointed or retained as an appointed actuary replaces a previously appointed actuary, the notice shall so state and give the reasons for replacement.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-204. Standards for asset adequacy analysis.

The asset adequacy analysis required by this part shall:

(1) Conform to the Standards of Practice as promulgated from time to time by the Actuarial Standards Board and on any additional standards under this part, which standards are to form the basis of the statement of actuarial opinion in accordance with this part; and

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

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-205. Liabilities to be covered.

(a) Under authority of Arkansas Code § 23-84-112, the statement of actuarial opinion shall apply to all in-force business on the statement date, whether directly

issued or assumed, regardless of when or where issued, e.g., reserves of Exhibits 5, 6, and 7, and claim liabilities in Exhibit 8, Part 1 and equivalent items in the separate account statement or statements.

(b) If the appointed actuary determines as the result of asset adequacy analysis that a reserve should be held in addition to the aggregate reserve held by the company and calculated in accordance with methods set forth in the Standard Valuation Law for Life Insurance and Annuities, Arkansas Code § 23-84-101 et seq., the company shall establish the additional reserve.

(c)(1) Additional reserves established under subsection (b) of this section and deemed not necessary in subsequent years may be released.

(2) Any amounts released shall be disclosed in the actuarial opinion for the applicable year.

(3) The release of such reserves would not be deemed an adoption of a lower standard of valuation.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

Subpart 3. Statement of Actuarial Opinion Based on an Asset Adequacy Analysis

23 CAR § 24-301. General description.

The statement of actuarial opinion submitted in accordance with this subpart shall consist of:

(1) A paragraph identifying the appointed actuary and his or her qualifications, see 23 CAR § 24-302(b);

(2) A scope paragraph identifying the subjects on which an opinion is to be expressed and describing the scope of the appointed actuary's work, including a tabulation:

(A) Delineating the reserves and related actuarial items that have been analyzed for asset adequacy and the method of analysis, see 23 CAR § 24-302(c); and

(B) Identifying the reserves and related actuarial items covered by the opinion that have not been so analyzed;

(3) A reliance paragraph describing those areas, if any, where the appointed actuary has deferred to other experts in developing data, procedures, or assumptions (e.g., anticipated cash flows from currently owned assets, including variation in cash flows according to economic scenarios, see 23 CAR § 24-302(d)), supported by a statement of each such expert in the form prescribed by 23 CAR § 24-305;

(4) An opinion paragraph expressing the appointed actuary's opinion with respect to the adequacy of the supporting assets to mature the liabilities, see 23 CAR § 24-302(g); and

(5) One (1) or more additional paragraphs will be needed in individual company cases as follows:

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

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

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

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

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-302. Recommended language.

(a)(1) The following paragraphs are to be included in the statement of actuarial opinion in accordance with this subpart.

(2)(A) Language is that which in typical circumstances should be included in a statement of actuarial opinion.

(B) The language may be modified as needed to meet the circumstances of a particular case, but the appointed actuary should use language that clearly expresses his or her professional judgment.

(C) However, in any event the opinion shall retain all pertinent aspects of the language provided in this section.

(b)(1) The opening paragraph should generally indicate the appointed actuary's relationship to the company and his or her qualifications to sign the opinion.

(2) For a company actuary, the opening paragraph of the actuarial opinion should include a statement such as:

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

(3) For a consulting actuary, the opening paragraph should include a statement such as:

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

(c) The scope paragraph should include a statement such as:

I have examined the actuarial assumptions and actuarial methods used in determining reserves and related actuarial items listed below, as shown in the annual statement of the company, as prepared for filing with state regulatory officials, as of December 31, []. Tabulated below are those reserves and related actuarial items which have been subjected to asset adequacy analysis.

Asset Adequacy Tested Amounts—Reserves and Liabilities					
Statement Item	Formula Reserves (1)	Additional Actuarial Reserves (a)	Analysis Method (b)	Other Amount (3)	Total Amount (1)+(2)+(3)
Exhibit 5					
A Life Insurance					
B Annuities					
C Supplementary Contracts Involving Life Contingencies					
D Accidental Death Benefit					
E Disability—Active					
F Disability—Disabled					
G Miscellaneous					
Total Exhibit 5 (Page 3, Line 1)					
Exhibit 6					
A Active Life Reserve					

B Claim Reserve					
Total Exhibit 6 (Page 3, Line 2)					
Exhibit 7 Premium and Other Deposit Funds (Column 5, Line 14)					
Guaranteed Interest Contracts (Column 2, Line 14)					
Other (Column 6, Line 14)					
Supplemental Contracts and Annuities Certain					
Dividend Accumulations or Refunds (Column 4, Line 14)					
Total Exhibit 7 (Page 3, Line 3)					
Exhibit 8, Part 1 1 Life (Page 3, Line 4.1)					
2 Health (Page 3, Line 4.2)					
Total Exhibit 8, Part 1					
Separate Accounts (Page 3 of the Annual Statement of the Separate Accounts, Lines 1, 2, 3.1,					

TOTAL RESERVES					
IMR (General Account, Page Line)					
(Separate Accounts, Page Line)					
AVR (Page Line)			(c)		
Net Deferred and Uncollected Premium					

Notes.

(a) The additional actuarial reserves are the reserves established under 23 CAR § 24-205(b).

(b) The appointed actuary should indicate the method of analysis, determined in accordance with the standards for asset adequacy analysis referred to in 23 CAR § 24-204, by means of symbols that should be defined in footnotes to the table.

(c) Allocated amount of Asset Valuation Reserve (AVR).

(d)(1) If the appointed actuary has relied on other experts to develop certain portions of the analysis, the reliance paragraph should include a statement such as:

I have relied on [name], [title] for [e.g., “anticipated cash flows from currently owned assets, including variations in cash flows according to economic scenarios” or “certain critical aspects of the analysis performed in conjunction with forming my opinion”], as certified in the attached statement. I have reviewed the information relied upon for reasonableness.

(2) A statement of reliance on other experts should be accompanied by a statement by each of the experts in the form prescribed by 23 CAR § 24-305.

(e) If the appointed actuary has examined the underlying asset and liability records, the reliance paragraph should include a statement such as:

My examination included such review of the actuarial assumptions and actuarial methods and of the underlying basic asset and liability records and such tests of the actuarial calculations as I considered necessary. I also reconciled the underlying basic asset and liability records to [exhibits and schedules listed as applicable] of the company's current annual statement.

(f)(1) If the appointed actuary has not examined the underlying records, but has relied upon data (e.g., listings and summaries of policies in force or asset records) prepared by the company, the reliance paragraph should include a statement such as:

In forming my opinion on [specify types of reserves], I relied upon data prepared by [name and title of company officer certifying in force records or other data] as certified in the attached statements. I evaluated that data for reasonableness and consistency. I also reconciled that data to [exhibits and schedules to be listed as applicable] of the company's current annual statement. In other respects, my examination included review of the actuarial assumptions and actuarial methods used and tests of the calculations I considered necessary.

(2) The section shall be accompanied by a statement by each person relied upon in the form prescribed by 23 CAR § 24-305.

(g) The opinion paragraph should include a statement such as:

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

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

- (b) Are based on actuarial assumptions that produce reserves at least as great as those called for in any contract provision as to reserve basis and method, and are in accordance with all other contract provisions;
- (c) Meet the requirements of the Insurance Law and Rule of the state of [state of domicile]; and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed;
- (d) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end (with any exceptions noted below); and
- (e) Include provision for all actuarial reserves and related statement items which ought to be established.

The reserves and related items, when considered in light of the assets held by the company with respect to such reserves and related actuarial items including, but not limited to, the investment earnings on the assets, and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision, according to presently accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the company.

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

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

or

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

Note. Choose one (1) of the above two (2) paragraphs, whichever is applicable.

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

[Signature of Appointed Actuary]

[Address of Appointed Actuary]

[Telephone Number of Appointed Actuary]

[Date]

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-303. Assumptions for new issues.

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

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-304. Adverse opinions.

(a) If the appointed actuary is unable to form an opinion, then he or she shall refuse to issue a statement of actuarial opinion.

(b)(1) If the appointed actuary's opinion is adverse or qualified, then he or she shall issue an adverse or qualified actuarial opinion explicitly stating the reasons for the opinion.

(2) This statement should follow the scope paragraph and precede the opinion paragraph.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-305. Reliance on information furnished by other persons.

(a) If the appointed actuary relies on the certification of others on matters concerning the accuracy or completeness of any data underlying the actuarial opinion, or the appropriateness of any other information used by the appointed actuary in forming the actuarial opinion, the actuarial opinion should so indicate the persons the actuary is relying upon and a precise identification of the items subject to reliance.

(b)(1) In addition, the persons on whom the appointed actuary relies shall provide a certification that precisely identifies the items on which the person is providing information and a statement as to the accuracy, completeness, or reasonableness, as applicable, of the items.

(2) This certification shall include the signature, title, company, address, and telephone number of the person rendering the certification, as well as the date on which it is signed.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-306. Alternate option.

(a) The Standard Valuation Law for Life Insurance and Annuities, Arkansas Code § 23-84-101 et seq., gives the Insurance Commissioner broad authority to accept the valuation of a foreign insurer when that valuation meets the requirements applicable to a company domiciled in this state in the aggregate.

(b) As an alternative to the requirements of paragraph (c) in 23 CAR § 24-302(g), the Insurance Commissioner may make one (1) or more of the following additional approaches available to the opining actuary:

(1)(A) A statement that the reserves “meet the requirements of the insurance laws and rules 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”.

(B) If the Insurance Commissioner chooses to allow this alternative, a formal written list of standards and conditions shall be made available.

(C)(i) If a company chooses to use this alternative, the standards and conditions in effect on July 1 of a calendar year shall apply to statements for that calendar year, and they shall remain in effect until they are revised or revoked.

(ii) If no list is available, this alternative is not available;

(2)(A) A statement that the reserves “meet the requirements of the insurance laws and rules 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 required by the Insurance Commissioner for approval of that request have been met”.

(B)(i) If the Insurance Commissioner chooses to allow this alternative, a formal written statement of such allowance shall be issued no later than March 31 of the year it is first effective.

(ii) It shall remain valid until rescinded or modified by the Insurance Commissioner.

(iii) The rescission or modifications shall be issued no later than March 31 of the year they are first effective.

(C)(i) Subsequent to that statement being issued, if a company chooses to use this alternative, the company shall 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.

(ii) The request shall be deemed approved on October 1 of that year if the Insurance Commissioner has not denied the request by that date; or

(3)(A) A statement that the reserves “meet the requirements of the insurance laws and rules of [state of domicile], and I have submitted the required comparison as specified by this state”.

(B)(i) If the Insurance Commissioner chooses to allow this alternative, a formal written list of products (to be added to the table in subdivision (b)(3)(C)(iii) of this section) for which the required comparison shall be provided will be published.

(ii) If a company chooses to use this alternative, the list in effect on July 1 of a calendar year shall apply to statements for that calendar year, and it shall remain in effect until it is revised or revoked.

(iii) If no list is available, this alternative is not available.

(C)(i) If a company desires to use this alternative, the appointed actuary shall provide a comparison of the gross nationwide reserves held to the gross nationwide reserves that would be held under NAIC codification standards.

(ii) 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.

(iii) The information provided shall be at least:

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

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

(E) 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 shall provide detailed disclosure of the specific method and assumptions used in determining the reserves held.

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

(c)(1) Notwithstanding the above, the Insurance Commissioner may reject an opinion based on the laws and rules of the state of domicile and require an opinion based on the laws of this state.

(2) If a company is unable to provide the opinion within sixty (60) days of the request or such other period of time determined by the Insurance Commissioner after consultation with the company, the Insurance Commissioner may contract an independent actuary at the company's expense to prepare and file the opinion.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

Codification Notes. "NAIC" means National Association of Insurance Commissioners.

Subpart 4. Description of Actuarial Memorandum Including an Asset Adequacy Analysis and Regulatory Asset Adequacy Issues Summary

23 CAR § 24-401. General.

(a)(1) In accordance with Arkansas Code § 23-84-112, the appointed actuary shall prepare a memorandum to the company describing the analysis done in support of his or her opinion regarding the reserves.

(2) The memorandum shall be made available for examination by the Insurance Commissioner upon his or her request but:

(A) Shall be returned to the company after such examination; and

(B) Shall not be considered a record of the State Insurance Department or subject to automatic filing with the Insurance Commissioner.

(b) In preparing the memorandum, the appointed actuary may rely on, and include as a part of his or her own memorandum, memoranda prepared and signed by other actuaries who are qualified within the meaning of 23 CAR § 24-202, with respect to the areas covered in such memoranda, and so state in their memoranda.

(c)(1) If the Insurance Commissioner requests a memorandum and no such memorandum exists or if the Insurance Commissioner finds that the analysis described in the memorandum fails to meet the standards of the Actuarial Standards Board or the standards and requirements of this part, the Insurance Commissioner may designate a qualified actuary to review the opinion and prepare such supporting memorandum as is required for review.

(2) The reasonable and necessary expense of the independent review shall be paid by the company but shall be directed and controlled by the Insurance Commissioner.

(d)(1) The reviewing actuary shall have the same status as an examiner for purposes of obtaining data from the company and the work papers and documentation of the reviewing actuary shall be retained by the Insurance Commissioner.

(2) Provided, however, that any information provided by the company to the reviewing actuary and included in the work papers shall be:

(A) Considered as material provided by the company to the Insurance Commissioner; and

(B) Kept confidential to the same extent as is prescribed by law with respect to other material provided by the company to the Insurance Commissioner pursuant to the statute governing this part.

(3) The reviewing actuary shall not be an employee of a consulting firm involved with the preparation of any prior memorandum or opinion for the insurer pursuant to this part for any one (1) of the:

(A) Current year; or

(B) Preceding three (3) years.

(e)(1) In accordance with Arkansas Code § 23-84-112, the appointed actuary shall prepare a regulatory asset adequacy issues summary, the contents of which are specified in 23 CAR § 24-403.

(2) The regulatory asset adequacy issues summary will be submitted no later than March 15 of the year following the year for which a statement of actuarial opinion based on asset adequacy is required.

(3) The regulatory asset adequacy issues summary is to be kept confidential to the same extent and under the same conditions as the actuarial memorandum.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-402. Details of the memorandum section documenting asset adequacy analysis.

(a) When an actuarial opinion is provided, the memorandum shall demonstrate that the analysis has been done in accordance with the standards for asset adequacy referred to in 23 CAR § 24-204 and any additional standards under this part.

(b) It shall specify:

(1) For reserves:

(A) Product descriptions including:

(i) Market description;

(ii) Underwriting; and

(iii) Other aspects of a risk profile and the specific risks the appointed

actuary deems significant;

(B) Source of liability in force;

(C) Reserve method and basis;

(D) Investment reserves;

(E) Reinsurance arrangements;

(F) Identification of:

(i) 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

(ii) The methods used by the appointed actuary to provide for the guarantees in the asset adequacy analysis; and

(G)(i) Documentation of assumptions to test reserves for the following:

(a) Lapse rates (both base and excess);

(b) Interest crediting rate strategy;

(c) Mortality;

(d) Policyholder dividend strategy;

(e) Competitor or market interest rate;

(f) Annuitization rates;

(g) Commissions and expenses; and

(h) Morbidity.

(ii) The documentation of the assumptions shall be such that an actuary reviewing the actuarial memorandum could form a conclusion as to the reasonableness of the assumptions;

(2) For assets:

(A) Portfolio descriptions, including a risk profile disclosing the quality, distribution, and types of assets;

(B) Investment and disinvestment assumptions;

(C) Source of asset data;

(D) Asset valuation bases; and

(E)(i) Documentation of assumptions made for:

(a) Default costs;

(b) Bond call function;

(c) Mortgage prepayment function;

(d) Determining market value for assets sold due to disinvestment strategy; and

(e) Determining yield on assets acquired through the investment strategy.

(ii) The documentation of the assumptions shall be such that an actuary reviewing the actuarial memorandum could form a conclusion as to the reasonableness of the assumptions;

(3) For the analysis basis:

(A) Methodology;

(B) Rationale for inclusion or exclusion of different blocks of business and how pertinent risks were analyzed;

(C) 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);

(D) 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); and

(E) Whether the impact of federal income taxes was considered and the method of treating reinsurance in the asset adequacy analysis;

(4) Summary of material changes in methods, procedures, or assumptions from prior year's asset adequacy analysis;

(5) Summary of results; and

(6) Conclusions.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-403. Details of the regulatory asset adequacy issues summary.

(a) The regulatory asset adequacy issues summary shall include:

(1)(A) Descriptions of the scenarios tested (including whether those scenarios are stochastic or deterministic) and the sensitivity testing done relative to those scenarios.

(B)(i) 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.

(ii) Ending surplus values shall be determined by either:

(a) Extending the projection period until the in force and associated assets and liabilities at the end of the projection period are immaterial; or

(b) 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;

(2) The extent to which the appointed actuary uses assumptions in the asset adequacy analysis that are materially different than the assumptions used in the previous asset adequacy analysis;

(3) The amount of reserves and the identity of the product lines that had been subjected to asset adequacy analysis in the prior opinion but were not subject to analysis for the current opinion;

(4) Comments on any interim results that may be of significant concern to the appointed actuary;

(5) The methods used by the actuary to recognize the impact of reinsurance on the company's cash flows, including both assets and liabilities, under each of the scenarios tested; and

(6) Whether the actuary has been satisfied that all options, whether explicit or embedded, in any asset or liability (including but not limited to those affecting cash flows embedded in fixed income securities) and equity-like features in any investments have been appropriately considered in the asset adequacy analysis.

(b) The regulatory asset adequacy issues summary shall:

(1) Contain the name of the company for which the regulatory asset adequacy issues summary is being supplied; and

(2) Be signed and dated by the appointed actuary rendering the actuarial opinion.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-404. Conformity to Actuarial Standards of Practice.

The memorandum shall include the following statement:

“Actuarial methods, considerations and analyses used in the preparation of this memorandum conform to the appropriate Actuarial Standards of Practice as promulgated by the Actuarial Standards Board, which standards form the basis for this memorandum.”

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-405. Use of assets supporting the interest maintenance reserve and the asset valuation reserve.

(a)(1) An appropriate allocation of assets in the amount of the interest maintenance reserve (IMR), whether positive or negative, shall be used in any asset adequacy analysis.

(2)(A) Analysis of risks regarding asset default may include an appropriate allocation of assets supporting the asset valuation reserve (AVR).

(B) These AVR assets may not be applied for any other risks with respect to reserve adequacy.

(C) 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.

(b)(1) The amount of the assets used for the AVR shall be disclosed in the table of reserves and liabilities of the opinion and in the memorandum.

(2) The method used for selecting particular assets or allocated portions of assets shall be disclosed in the memorandum.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

23 CAR § 24-406. Documentation.

The appointed actuary shall retain on file, for at least seven (7) years, sufficient documentation so that it will be possible to determine the:

- (1) Procedures followed;
- (2) Analyses performed;
- (3) Bases for assumptions; and
- (4) Results obtained.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.

Subpart 5. Disciplinary Actions

23 CAR § 24-501. Disciplinary actions.

(a) The Insurance Commissioner may impose sanctions on companies which have failed to comply with the provisions of this part in:

- (1) Completing the annual statement with the appropriate actuarial certification and opinion; or
- (2) Failing to file the statement of opinion when eligible for any exemptions under this part.

(b) Such sanctions shall include, but not be limited to, those the Insurance Commissioner may impose on companies for failure to file or failure to file a complete annual statement under Arkansas Code § 23-63-216, including:

- (1) License suspension or revocation; and

(2) Monetary fines or penalties.

(c) Companies and actuaries filing false statements of financial conditions in connection with the actuarial opinions required by this part, filing false or fraudulent actuarial opinions with the Insurance Commissioner, or knowingly making a false entry in these actuarial opinions in the reports or annual statements of the companies shall be:

(1) Deemed to have committed a trade practice violation under the Trade Practices Act, Arkansas Code § 23-66-201 et seq., and this part, in addition to other applicable provisions of Arkansas laws and rules; and

(2) Subject to administrative proceedings culminating in possible:

(A) Cease and desist orders;

(B) Monetary penalties; and/or

(C) License suspensions or revocations.

Authority. Arkansas Code §§ 23-61-108, 23-84-113.