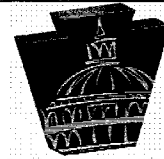


Regulatory Analysis Form

(Completed by Promulgating Agency)



IRRC

Independent Regulatory Review Commission

2008 NOV - 9 P 1:53

RECEIVED
IRRC

SECTION I: PROFILE

(1) Agency:

Insurance Department

(2) Agency Number:

Identification Number: 11-244

IRRC Number: 2866

(3) Short Title:

Actuarial Opinion and Memorandum

(4) PA Code Cite:

31 Pa.Code Chapter 84b

(5) Agency Contacts (List Telephone Number, Address, Fax Number and Email Address):

Primary Contact:

Peter J. Salvatore, Regulatory Coordinator, 1326 Strawberry Square, Harrisburg, PA 17120, (717) 787-4429.

Secondary Contact:

(6) Primary Contact for Public Comments (List Telephone Number, Address, Fax Number and Email Address) – Complete if different from #5:

(All Comments will appear on IRRC'S website)

(7) Type of Rulemaking (check applicable box):

Proposed Regulation

Final Regulation

Final Omitted Regulation

Emergency Certification Regulation;

Certification by the Governor

Regulatory Analysis Form

Certification by the Attorney General

(8) Briefly explain the regulation in clear and nontechnical language. (100 words or less)

This final-form rulemaking updates Chapter 84b to include amendments made by the National Association of Insurance Commissioners ("NAIC") to Model Regulation 822 entitled "Actuarial Opinion and Memorandum Regulation," in September 2009. Chapter 84b requires all life insurance companies and fraternal benefit societies to submit actuarial opinions based on an asset adequacy analysis, commonly known as "Section 8 opinions." The amendment revises section 84b.9 in accordance with amendments to the NAIC model regulation. Specifically, this amendment indicates that a regulatory asset adequacy issues summary should include (as an example of the type of interim results that require comment by the appointed actuary) a statement regarding 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 as per the requirement contained in the proposed amendment to 31 Pa. Code 84c.5(b). These amendments were proposed in conjunction with proposed amendments to Chapters 84c and 84d of Title 31 of the Pennsylvania Code. All three sets of amendments should be promulgated simultaneously in order to effectively implement the requirements set forth by the amendments to the NAIC models.

(9) Include a schedule for review of the regulation including:

- A. The date by which the agency must receive public comments: _____
- B. The date or dates on which public meetings or hearings will be held: _____
- C. The expected date of promulgation of the proposed regulation as a final-form regulation: January 1, 2011
- D. The expected effective date of the final-form regulation: March 1, 2011
- E. The date by which compliance with the final-form regulation will be required: March 1, 2011
- F. The date by which required permits, licenses or other approvals must be obtained: _____

(10) Provide the schedule for continual review of the regulation.

The Department reviews each of its regulations for continued effectiveness on a triennial basis.

Regulatory Analysis Form

SECTION II: STATEMENT OF NEED

(11) State the statutory authority for the regulation. Include specific statutory citation.

Sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P.S. §§ 66, 186, 411 and 412) and section 301 of The Insurance Department Act of 1921 (40 P.S. § 71).

(12) Is the regulation mandated by any federal or state law or court order, or federal regulation? Are there any relevant state or federal court decisions? If yes, cite the specific law, case or regulation as well as, any deadlines for action.

No. However, this amendment will maintain consistency of this regulation with the NAIC model. Chapter 84b is an accreditation standard.

(13) State why the regulation is needed. Explain the compelling public interest that justifies the regulation. Describe who will benefit from the regulation. Quantify the benefits as completely as possible and approximate the number of people who will benefit.

Since this final-form rulemaking concerns the solvency requirements applied to insurers, the public will benefit from a financially sound insurance industry that has the ability to fulfill its contractual obligations under life insurance policies.

Regulatory Analysis Form

(14) If scientific data, studies, references are used to justify this regulation, please submit material with the regulatory package. Please provide full citation and/or links to internet source.

N/A

(15) Describe who and how many will be adversely affected by the regulation. How are they affected?

There will be no adverse effects. The regulation merely requires the appointed actuary to provide additional comments in the regulatory asset adequacy issues summary required by existing regulation.

(16) List the persons, groups or entities that will be required to comply with the regulation. Approximate the number of people who will be required to comply.

All life insurance companies and fraternal benefit societies doing business in the Commonwealth.

Regulatory Analysis Form

SECTION III: COST AND IMPACT ANALYSIS

(17) Provide a specific estimate of the costs and/or savings to the **regulated community** associated with compliance, including any legal, accounting or consulting procedures which may be required. Explain how the dollar estimates were derived.

This final-form rulemaking would not have an effect on the costs and/or savings to the regulated community, in that the amendment merely provides a specific example of the type of interim results that require comment by the appointed actuary in the regulatory asset adequacy issues summary.

(18) Provide a specific estimate of the costs and/or savings to **local governments** associated with compliance, including any legal, accounting or consulting procedures which may be required. Explain how the dollar estimates were derived.

There are no costs or savings to local governments associated with this rulemaking.

(19) Provide a specific estimate of the costs and/or savings to **state government** associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required. Explain how the dollar estimates were derived.

There are no material costs or savings to state government associated with this rulemaking.

Regulatory Analysis Form

(20) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years.

	Current FY Year	FY +1 Year	FY +2 Year	FY +3 Year	FY +4 Year	FY +5 Year
SAVINGS:	\$	\$	\$	\$	\$	\$
Regulated Community						
Local Government						
State Government						
Total Savings						
COSTS:						
Regulated Community						
Local Government						
State Government						
Total Costs						
REVENUE LOSSES:						
Regulated Community						
Local Government						
State Government						
Total Revenue Losses						

(20a) Provide the past three year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	Current FY

Regulatory Analysis Form

(21) Explain how the benefits of the regulation outweigh any cost and adverse effects.

No costs or adverse effects are anticipated as a result of this regulation.

(22) Describe the communications with and input from the public and any advisory council/group in the development and drafting of the regulation. List the specific persons and/or groups who were involved.

The insurance industry, working with the NAIC, provided input regarding the amendments to this regulation.

(23) Include a description of any alternative regulatory provisions which have been considered and rejected and a statement that the least burdensome acceptable alternative has been selected.

No other nonregulatory alternatives were considered because the standards are currently established by regulation. Therefore, amendment to Chapter 84b is necessary to revise the requirements for statements of actuarial opinion and supporting memoranda and nonregulatory alternatives are not feasible.

(24) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulations.

No.

Regulatory Analysis Form

(25) How does this regulation compare with those of other states? How will this affect Pennsylvania's ability to compete with other states?

This final-form rulemaking will not put Pennsylvania at a competitive disadvantage with other states.

(26) Will the regulation affect any other regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

No.

(27) Submit a statement of legal, accounting or consulting procedures and additional reporting, recordkeeping or other paperwork, including copies of forms or reports, which will be required for implementation of the regulation and an explanation of measures which have been taken to minimize these requirements.

N/A

(28) Please list any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, elderly, small businesses, and farmers.

N/A

CDL-1

FACE SHEET
FOR FILING DOCUMENTS
WITH THE LEGISLATIVE REFERENCE
BUREAU

(Pursuant to Commonwealth Documents Law)

RECEIVED
IRRC

2010 NOV -9 P 1:54

DO NOT WRITE IN THIS SPACE

Copy below is hereby approved as to
form and legality. Attorney General

By _____
(Deputy Attorney General)

Date of Approval

→ Check if applicable.
Copy not approved. Objections
attached.

Copy below is hereby certified to be a true and correct
copy of a document issued, prescribed or promulgated
by:

Insurance Department

(AGENCY)

DOCUMENT/FISCAL NOTE NO. 11-244

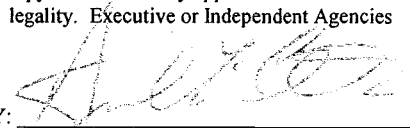
DATE OF ADOPTION: _____

BY:  _____

Robert L Pratter
Acting Insurance Commissioner

TITLE: _____
(EXECUTIVE OFFICER, CHAIRMAN OR
SECRETARY)

Copy below is hereby approved as to form and
legality. Executive or Independent Agencies

BY:  _____

Andrew C. Clark
NOV - 8 2010

DATE OF APPROVAL

(DEPUTY GENERAL COUNSEL)
(~~CHIEF COUNSEL, INDEPENDENT AGENCY~~)
(~~STRIKE INAPPLICABLE TITLE~~)

→ Check if applicable. No Attorney General
approval or objection within 30 days after
submission.

NOTICE OF FINAL FORM RULEMAKING

INSURANCE DEPARTMENT

31 Pa. Code, Chapter 84b Sections 84b.9

Actuarial Opinion and Memorandum.

Preamble

The Insurance Department (Department) amends Chapter 84b of the Department's regulations (31 Pa. Code Ch. 84b) (relating to Actuarial Opinion and Memorandum) to read as set forth in Annex A, under the authority of Sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P.S. §§ 66, 186, 411 and 412) and Section 301 of The Insurance Department Act ("Act") (40 P.S. §§ 71).

Purpose

The purpose of this final-form rulemaking is to update Chapter 84b to include amendments made by the National Association of Insurance Commissioners ("NAIC") to Model Regulation 822, entitled "Actuarial Opinion and Memorandum Regulation." That regulation requires all life insurance companies and fraternal benefit societies to submit actuarial opinions based on an asset adequacy analysis, commonly known as "Section 8 opinions." The amendments to this regulation were proposed in conjunction with proposed amendments to 31 Pa. Code 84c (relating to Valuation of Life Insurance Policies), which would remove restrictions on the mortality adjustment factors (X factors) in deficiency reserve calculations. Specifically, the amendments to Chapter 84b modify requirements for the content of a regulatory asset adequacy issues summary of the actuarial memorandum to require the inclusion of a statement regarding 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.

Comments and Response

Notice of proposed rulemaking was published on September 4, 2010, in the Pennsylvania Bulletin at 40 Pa.B. 5066 with a 30-day comment period. One comment in support of the amendments was received from the Insurance Federation of Pennsylvania, Inc. (IFP). On November 3, 2010, the Independent Regulatory Review Commission (IRRC) indicated that it did not have any comments objections, comments, or recommendations regarding on this regulation.

Affected Parties

This final-form rulemaking will apply to life insurance companies and fraternal benefit societies doing business in this Commonwealth.

Fiscal Impact

State Government

There will be no increase in cost to the Department as a result of the adoption of the amendments to Chapter 84b. As part of its solvency monitoring responsibilities, the Department currently reviews statements of actuarial opinion and supporting memoranda. Thus, this rulemaking will not require any additional staff time or resources to perform the analysis.

General Public

Since this final-form rulemaking concerns the solvency requirements applied to insurers, the public will benefit from a financially sound insurance industry that has the ability to fulfill its contractual obligations under life insurance policies.

Political Subdivisions

This final-form rulemaking will not impose additional costs on political subdivisions. However, because this rulemaking promotes stability in the Commonwealth's insurance industry, political subdivisions' tax revenues would benefit as a result of fewer insurer insolvencies. Fewer insolvencies would result in less unemployment and would also increase incentives for insurers to market new insurance products in this Commonwealth.

Private Sector

This final-form rulemaking will not impose additional costs on insurers.

Paperwork

The adoption of this final-form rulemaking would not impose additional paperwork on the Department.

Effectiveness/Sunset Date

This rulemaking will become effective 60 days after publication in the *Pennsylvania Bulletin* as final-form rulemaking. The Department continues to monitor the effectiveness of regulations on a triennial basis; therefore, no sunset date has been assigned.

Contact Person

Questions regarding this final-form rulemaking may be addressed in writing to Peter J. Salvatore, Regulatory Coordinator, Insurance Department, 1326 Strawberry Square, Harrisburg, PA 17120. Questions may also be e-mailed to psalvatore@state.pa.us or faxed to (717) 705-3873.

Regulatory Review

Under section 5(a) of the Regulatory Review Act (71 P.S. §745.5(a)), on November 9, 2010, the Department submitted a copy of this final-form rulemaking to the Independent Regulatory Review Commission (IRRC) and to the Chairpersons of the Senate Banking and Insurance Committee and the House Insurance Committee. In addition to the submitted rulemaking, the Department has, as required by the Regulatory Review Act, provided IRRC and the Committees with a copy of a detailed Regulatory Analysis Form prepared by the Department. A copy of that material is available to the public upon request.

In preparing these final-form regulations, the Department considered all comments received from IRRC, the Committees and the public. These final-form regulations were deemed approved by the House and Senate Committees on _____. Under section 5(g) of the Regulatory Review Act, the final-form regulations were approved, effective _____.

Findings

The Commissioner finds that:

(1) Public notice of intention to adopt these final-form regulations was given under sections 201 and 202 of the act of July 31, 1968 (P.L. 769, No. 240) (45 P.S. §§ 1201 and 1202) and the regulations thereunder, 1 Pa. Code §§ 7.1 and 7.2.

(2) The adoption of this final-form rulemaking in the manner provided in this order is necessary and appropriate for the administration and enforcement of the authorizing statutes.

Order

The Commissioner, acting under the authorizing statutes, orders that:

(a) The regulations of the Department, 31 Pa. Code, Chapter 84b, are amended as set forth in Annex A.

(b) The Department shall submit this order and Annex A to the Office of General Counsel and Office of Attorney General for approval as to form and legality as required by law.

(c) The Department shall certify this order and Annex A and deposit them with the Legislative Reference Bureau as required by law.

(d) The final-form regulations adopted by this order take effect 60 days after publication in the Pennsylvania Bulletin.

Robert L. Pratter
Acting Insurance Commissioner

**CONTINUATION SHEET FOR FILING DOCUMENTS
WITH THE LEGISLATIVE REFERENCE BUREAU
Pursuant to Commonwealth Documents Law**

ANNEX A

**TITLE 31. INSURANCE. PART VI. LIFE INSURANCE. CHAPTER 84b. ACTUARIAL
OPINION AND MEMORANDUM.**

Sec.

84b.9.	Description of actuarial memorandum including an asset adequacy analysis and regulatory asset adequacy issues summary.
--------	--

§ 84b.9. Description of actuarial memorandum including an asset adequacy analysis and regulatory asset adequacy issues summary.

* * * * *

(c) *Details of the regulatory asset adequacy issues summary*

(1) The regulatory asset adequacy issues summary must include the following:

* * * * *

(iv) Comments on any interim results that may be of significant concern to 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).

* * * * *

Comments on the regulation listed below have been received from the following:

<i>Reg #</i>	<i>Regulation Title</i>				
<i>11-244</i>	<i>Actuarial Opinion and Memorandum</i>				
<i>Mr. Samuel R. Marshall</i>		<i>Date Received</i>	<i>10/7/2010</i>	<i>Date Sent To Cmtes/IRRC</i>	<i>10/12/2010</i>
<i>President</i>					
<i>Insurance Federation of Pennsylvania, Inc.</i>					
<i>1600 Market St.</i>					
<i>Philadelphia, PA 19103</i>					
<i>Phone</i> (215) 665-0505 X00000					
		<i>Letter Co-Author</i>			
		<i>EMail</i> sammy1@ifpenn.org			



November 9, 2010

Mr. Kim Kaufman
Executive Director
Independent Regulatory Review Comm.
333 Market Street
Harrisburg, PA 17101

Re: Insurance Department Final Regulation No. 11-244, Actuarial Opinion and Memorandum

Dear Mr. Kaufman:

Pursuant to Section 5a(c) of the Regulatory Review Act, enclosed for your information and review is final regulation 31 Pa. Code, Chapter 84b, Actuarial Opinion and Memorandum.

The purpose of this final-form rulemaking is to update Chapter 84b to include amendments made by the National Association of Insurance Commissioners ("NAIC") to Model Regulation 822, entitled "Actuarial Opinion and Memorandum Regulation."

If you have any questions regarding this matter, please contact me at (717) 787-4429.

Sincerely yours,

A handwritten signature in black ink that reads "Peter J. Salvatore". The signature is written in a cursive style with a large initial "P".

Peter J. Salvatore
Regulatory Coordinator

**TRANSMITTAL SHEET FOR REGULATIONS SUBJECT TO THE
REGULATORY REVIEW ACT**

I.D. NUMBER: 11-244
 SUBJECT: ACTUARIAL OPINION AND MEMORANDUM
 AGENCY: DEPARTMENT OF INSURANCE

TYPE OF REGULATION

- Proposed Regulation
- X Final Regulation
- Final Regulation with Notice of Proposed Rulemaking Omitted
- 120-day Emergency Certification of the Attorney General
- 120-day Emergency Certification of the Governor
- Delivery of Tolled Regulation
 - a. With Revisions
 - b. Without Revisions

RECEIVED
IRRC
2010 NOV -9 P 1:54

FILING OF REGULATION

DATE	SIGNATURE	DESIGNATION
11-9-10	<i>Bonnie G. Brockwell</i>	HOUSE COMMITTEE ON INSURANCE
11-9-10	<i>Luigi Alofi</i>	MAJORITY CHAIRMAN <u>REP. ANTHONY DELUCA</u>
11-9-10	<i>A. Miller</i>	SENATE COMMITTEE ON BANKING & INSURANCE
X 11-9-10	<i>Mark Powers</i>	MAJORITY CHAIRMAN <u>SEN. DONALD C. WHITE</u>
11/9/10	<i>K. Cooper</i>	INDEPENDENT REGULATORY REVIEW COMMISSION
_____	_____	ATTORNEY GENERAL
_____	_____	LEGISLATIVE REFERENCE BUREAU