

11 NCAC 04 .0509 ANNUAL CERTIFICATIONS

- (a) The board of directors of each insurer shall appoint one or more illustration actuaries.
- (b) The illustration actuary shall certify that the disciplined current scale used in illustrations is in conformity with the Actuarial Standard of Practice for Compliance with the NAIC Model Regulation on Life Insurance Illustrations promulgated by the Actuarial Standards Board, and that the illustrated scales used in insurer-authorized illustrations meet the requirements of this Section.
- (c) The illustration actuary shall:
- (1) Be a member in good standing of the American Academy of Actuaries;
 - (2) Be knowledgeable of the standard of practice regarding life insurance policy illustrations;
 - (3) Not have been found by the Commissioner, following appropriate notice and opportunity for hearing to have:
 - (A) Violated any provision of, or any obligation imposed by, the insurance law or other law in the course of his or her dealings as an illustration actuary;
 - (B) Been found guilty of fraudulent or dishonest practices;
 - (C) Demonstrated his or her incompetence, lack of cooperation, or untrustworthiness to act as an illustration actuary; or
 - (D) Resigned or been removed as an illustration actuary within the past five years as a result of acts or omissions indicated in any adverse report on examination or as a result of a failure to adhere to generally acceptable actuarial standards;
 - (4) Notify the Commissioner of any action taken by an insurance regulator of another state with laws similar to that under Subparagraph (c)(3) of this Rule;
 - (5) Disclose in the annual certification whether, since the last certification, a currently payable scale applicable for business issued within the previous five years and within the scope of the certification has been reduced for reasons other than changes in the experience factors underlying the disciplined current scale. If nonguaranteed elements illustrated for new policies are not consistent with those illustrated for similar in force policies, this shall be disclosed in the annual certification. If nonguaranteed elements illustrated for both new and in force policies are not consistent with the nonguaranteed elements actually being paid, charged, or credited to the same or similar form, this shall be disclosed in the annual certification; and
 - (6) Disclose in the annual certification which of the following methods are used to allocate overhead expenses for all illustrations:
 - (A) Fully allocated expenses;
 - (B) Marginal expenses; or
 - (C) A table of fully allocated expenses developed by the Actuarial Standards Board and approved by the National Association of Insurance Commissioners.
- (d) The illustration actuary shall file a certification with the board and with the Commissioner:
- (1) Annually for all policies for which illustrations are used; and
 - (2) Before a new policy is illustrated.

At the time an error in a previous certification is discovered, the illustration actuary shall notify the board of directors of the insurer and the Commissioner.

- (e) If an illustration actuary is unable to certify the scale for any policy illustration the insurer intends to use, the actuary shall notify the board of directors of the insurer and the Commissioner of his or her inability to certify.
- (f) An officer of the insurer, other than the illustration actuary, shall certify annually that the illustration formats meet the requirements of this Rule and that the scales used in insurer-authorized illustrations are those scales certified by the illustration actuary and that the company has provided its agents with information about the expense allocation used by the company in its illustrations and disclosed as required in Subparagraph (c)(6) of this Rule.
- (g) The annual certifications shall be provided to the Commissioner each year by a date determined by the insurer.
- (h) At the time an insurer changes the illustration actuary responsible for all or a portion of the company's policies, the insurer shall notify the Commissioner of that fact and disclose the reason for the change.

History Note: Authority G.S. 58-2-40; 58-2-171; 58-58-1; 58-58-40; 58-60-15; 58-60-20; 58-63-15; 58-63-65; Eff. January 1, 1997; Readopted Eff. December 1, 2021.