



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

April 12, 2022

The Honorable Patrick Page Cortez
President, Louisiana State Senate
P.O. Box 94183
Baton Rouge, LA 70804

ELECTRONIC TRANSMISSION
apa.senatepresident@legis.la.gov

The Honorable Clay Schexnayder
Speaker, Louisiana House of Representatives
P.O. Box 94062
Baton Rouge, LA 70804

ELECTRONIC TRANSMISSION
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The Honorable Kirk Talbot
Chairman of the Senate Insurance Committee
P.O. Box 94183
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ELECTRONIC TRANSMISSION
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The Honorable Mike Huval
Chairman of the House Insurance Committee
P.O. Box 94062
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RE: Summary Report – Regulation 121 – Term and Universal Life
Insurance Reserve Financing

Dear President Cortez, Speaker Schexnayder, Senator Talbot, and Representative Huval:

The Louisiana Department of Insurance (LDI) hereby submits the following summary report required by La. R.S. 49:968(D)(1)(b), and announces its intention to proceed to finalize Regulation 121, which was published as a Notice of Intent in the March 2022 edition of the *Louisiana Register*.

Interested persons were provided an opportunity to submit comments to the LDI on the proposed regulation. The LDI received comments from Axel Galan and Samear Zaitoon in response to the Notice of Intent and the LDI responded accordingly. These comments and the LDI's responses are summarized below and enclosed for your review.

Email dated March 14, 2022 from Axel Galan:

Comment: Axel Galan requested to update his email address in order to gain access to Regulation 121 and other notifications from the LDI.

Response to Comment: The LDI responded to Axel Galan advising him that he could update his email address through the LDI licensee web portal.

Email dated March 11, 2022 from Samear Zaitoon:

Comment: Samear Zaitoon requested a link to Regulation 121.

Response to Comment: The LDI responded by emailing the requested link to Samear Zaitoon.

Subject to legislative oversight, the LDI intends to submit Regulation 121 to the Office of the State Register for final publication in the June 2022 edition of the Louisiana Register. A copy of the summary report will be placed on the LDI's website in accordance with La. R.S. 49:968(D)(1)(c).

J. David Caldwell
Executive Counsel
Louisiana Department of Insurance
Division of Legal Services
regulations@ldi.la.gov

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS (Summary)

The proposed rule continues the provisions of the February 4, 2022 Emergency Rule which amends the provisions of the Pharmacy Benefits Management Program in order to include coverage for over-the-counter at-home tests for Coronavirus Disease 2019 (COVID-19) that have been authorized by the Food and Drug Administration, in compliance with requirements of the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services. This proposed rule will be beneficial to Medicaid recipients because it will ensure access to over-the-counter at-home COVID-19 tests. Providers will benefit from implementation of this proposed rule since it provides reimbursement for a service that was previously not covered. It is anticipated that implementation of this proposed rule will increase expenditures in the Medicaid program by approximately \$34,123 for FY 21-22, \$102,370 for FY 22-23, and \$133,717 for FY 23-24.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

This rule has no known effect on competition and employment.

Patrick Gillies
Medicaid Executive Director
2203#060

Evan Brasseaux
Interim Deputy Fiscal Officer
Legislative Fiscal Office

NOTICE OF INTENT

**Department of Insurance
Office of the Commissioner**

Regulation 121—Term and Universal Life Insurance
Reserve Financing (LAC 37:XIII.Chapter 183)

The Department of Insurance, pursuant to the authority of the Louisiana Insurance Code, R.S. 22:1 et seq., and in accordance with the Administrative Procedure Act, R.S. 49:950 et seq., hereby gives notice of its intent to promulgate Regulation 121—Term and Universal Life Insurance Reserve Financing. The purpose of Regulation 121 is to implement the National Association of Insurance Commissioners (NAIC) *Term and Universal Life Insurance Reserve Financing Model Regulation (#787)* which sets forth rules and procedural requirements to establish uniform, national standards governing reserve financing arrangements pertaining to life insurance policies containing guaranteed nonlevel gross premiums or guaranteed nonlevel benefits and universal life insurance policies with secondary guarantees and to ensure that, with respect to each such financing arrangement, funds consisting of primary security and other security, are held by or on behalf of ceding insurers in the forms and amounts required.

Title 37

INSURANCE

Part XIII. Regulations

**Chapter 183. Regulation Number 121—Term and
Universal Life Insurance Reserve
Financing**

§18301. Purpose

A. The purpose of this regulation is to set forth rules and procedural requirements to establish uniform, national standards governing reserve financing arrangements pertaining to life insurance policies containing guaranteed

nonlevel gross premiums, guaranteed nonlevel benefits and universal life insurance policies with secondary guarantees and to ensure that, with respect to each such financing arrangement, funds consisting of primary security and other security, as defined in §18305, are held by or on behalf of ceding insurers in the forms and amounts required herein. In general, reinsurance ceded for reserve financing purposes has one or more of the following characteristics: some or all of the assets used to secure the reinsurance treaty or to capitalize the reinsurer

1. are issued by the ceding insurer or its affiliates; or
2. are not unconditionally available to satisfy the general account obligations of the ceding insurer; or
3. create a reimbursement, indemnification, or other similar obligation on the part of the ceding insurer or any of its affiliates (other than a payment obligation under a derivative contract acquired in the normal course and used to support and hedge liabilities pertaining to the actual risks in the policies ceded pursuant to the reinsurance treaty).

AUTHORITY NOTE: Promulgated in accordance with R.S. 22:11, 22:651, 22:652, 22:661, 22:753, and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 48:

§18303. Applicability

A. This regulation shall apply to reinsurance treaties that cede liabilities pertaining to covered policies, as that term is defined in §18305, issued by any life insurance company domiciled in this state. This regulation and Regulation 56 shall both apply to such reinsurance treaties, provided that in the event of a direct conflict between the provisions of this regulation and Regulation 56, the provisions of this regulation shall apply, but only to the extent of the conflict.

AUTHORITY NOTE: Promulgated in accordance with R.S. 22:11, 22:651, 22:661, 22:753, and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 48:

§18305. Definitions

A. Strictly for the purposes of Regulation 121, the following terms are defined as follows.

Actuarial Method—the methodology used to determine the required level of primary security, as described in §18309.A.

Commissioner—the Louisiana Commissioner of Insurance.

Covered Policies—subject to the exemptions described in §18307, covered policies, other than grandfathered policies, of the following policy types:

- a. life insurance policies with guaranteed nonlevel gross premiums and/or guaranteed nonlevel benefits, except for flexible premium universal life insurance policies; or
- b. flexible premium universal life insurance policies with provisions resulting in the ability of a policyholder to keep a policy in force over a secondary guarantee period.

Grandfathered Policies—policies of the types described in the definition of covered policies that were:

- a. issued prior to January 1, 2015; and
- b. ceded, as of December 31, 2014, as part of a reinsurance treaty that would not have met one of the exemptions set forth in §18307 had that section then been in effect.

Noncovered Policies—any policy that does not meet the definition of covered policies, including grandfathered policies.

Other Security—any security acceptable to the commissioner other than security meeting the definition of primary security.

Primary Security—includes the following forms of security:

- a. cash meeting the requirements of R.S. 22:652
- b. securities listed by the Securities Valuation Office meeting the requirements of R.S. 22:652, but excluding any synthetic letter of credit, contingent note, credit-linked note, or other similar security that operates in a manner similar to a letter of credit, and excluding any securities issued by the ceding insurer or any of its affiliates; and
- c. for security held in connection with funds-withheld and modified coinsurance reinsurance treaties:
 - i. commercial loans in good standing of CM3 quality and higher;
 - ii. policy loans; and
 - iii. derivatives acquired in the normal course and used to support and hedge liabilities pertaining to the actual risks in the policies ceded pursuant to the reinsurance treaty.

Required Level of Primary Security—the dollar amount determined by applying the actuarial method to the risks ceded with respect to covered policies, but not more than the total reserve ceded.

Valuation Manual—the valuation manual adopted by the NAIC as described in R.S. 22:753(C)(2)(a), with all amendments adopted by the NAIC that are effective for the financial statement date on which credit for reinsurance is claimed.

VM-20—"Requirements for Principle-Based Reserves for Life Products," including all relevant definitions, from the valuation manual.

AUTHORITY NOTE: Promulgated in accordance with R.S. 22:11, 22:651, 22:652, 22:661, 22:753, and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 48:

§18307. Exemptions

A. This regulation does not apply to the situations described in Subsections A through G.

1. Reinsurance of:
 - a. policies that satisfy the criteria for exemption set forth in §10911.F and §10911.G of Regulation 85 and that are issued before the later of:
 - i. September 1, 2022; and
 - ii. the date on which the ceding insurer begins to apply the provisions of VM-20 to establish the ceded policies' statutory reserves, but in no event later than January 1, 2020;
 - b. portions of policies that satisfy the criteria for exemption set forth in §10911.E of Regulation 85 and that are issued before the later of:
 - i. September 1, 2022; and
 - ii. the date on which the ceding insurer begins to apply the provisions of VM-20 to establish the ceded policies' statutory reserves, but in no event later than January 1, 2020;
 - c. any universal life policy that meets all of the following requirements:

- i. secondary guarantee period, if any, is five years or less;

- ii. specified premium for the secondary guarantee period is not less than the net level reserve premium for the secondary guarantee period based on the Commissioners Standard Ordinary (CSO) valuation tables and valuation interest rate applicable to the issue year of the policy; and

- iii. the initial surrender charge is not less than 100 percent of the first year annualized specified premium for the secondary guarantee period;

- d. credit life insurance;

- e. any 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; or

- f. any group life insurance certificate unless the certificate provides for a stated or implied schedule of maximum gross premiums required in order to continue coverage in force for a period in excess of one year.

2. Reinsurance ceded to an assuming insurer that meets the applicable requirements of R.S.22:651(D); or

3. Reinsurance ceded to an assuming insurer that meets the applicable requirements of R.S.22:651(B) or (C), and that, in addition:

- a. prepares statutory financial statements in compliance with the NAIC Accounting Practices and Procedures Manual, without any departures from NAIC statutory accounting practices and procedures pertaining to the admissibility or valuation of assets or liabilities that increase the assuming insurer's reported surplus and are material enough that they need to be disclosed in the financial statement of the assuming insurer pursuant to Statement of Statutory Accounting Principles No. 1 (SSAP 1); and

- b. is not in a company action level event, regulatory action level event, authorized control level event, or mandatory control level event as those terms are defined in R.S. 22:613 through 22:616 when its risk-based capital (RBC) is calculated in accordance with the life risk-based capital report including overview and instructions for companies, as the same may be amended by the NAIC from time to time, without deviation; or

4. reinsurance ceded to an assuming insurer that meets the applicable requirements of R.S.22:651(B) or (C), and that, in addition:

- a. is not an affiliate, as that term is defined in R.S. 22:691.2(1), of:

- i. the insurer ceding the business to the assuming insurer; or

- ii. any insurer that directly or indirectly ceded the business to that ceding insurer;

- b. prepares statutory financial statements in compliance with the NAIC Accounting Practices and Procedures Manual;

- c. is both:

- i. licensed or accredited in at least 10 states (including its state of domicile), and

- ii. not licensed in any state as a captive, special purpose vehicle, special purpose financial captive, special purpose life reinsurance company, limited purpose subsidiary, or any other similar licensing regime; and

d. is not, or would not be, below 500 percent of the *authorized control level RBC* as that term is defined in R.S. 22:611(8)(a) when its RBC is calculated in accordance with the life risk-based capital report including overview and instructions for companies, as the same may be amended by the NAIC from time to time, without deviation, and without recognition of any departures from NAIC statutory accounting practices and procedures pertaining to the admission or valuation of assets or liabilities that increase the assuming insurer's reported surplus; or

5. reinsurance ceded to an assuming insurer that meets the requirements of R.S. 22:661(B)(4); or

6. reinsurance not otherwise exempt under Subsections A through E if the commissioner, after consulting with the NAIC Financial Analysis Working Group (FAWG) or other group of regulators designated by the NAIC, as applicable, determines under all the facts and circumstances that all of the following apply:

a. the risks are clearly outside of the intent and purpose of this regulation, as described in §18301 above;

b. the risks are included within the scope of this regulation only as a technicality; and

c. the application of this regulation to those risks is not necessary to provide appropriate protection to policyholders. The commissioner shall publicly disclose any decision made pursuant to §18307.F to exempt a reinsurance treaty from this regulation, as well as the general basis therefor (including a summary description of the treaty); or

7. meets the conditions set forth in R.S. 22:651(F) in this state.

AUTHORITY NOTE: Promulgated in accordance with R.S. 22:11, 22:651, 22:652, 22:661, 22:753, and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 48:

§18309. The Actuarial Method

A. The actuarial method to establish the required level of primary security for each reinsurance treaty subject to this regulation shall be VM-20, applied on a treaty-by-treaty basis, including all relevant definitions, from the valuation manual as then in effect, applied as follows.

1. For covered policies described in covered policies (a) in §18305, the actuarial method is the greater of the deterministic reserve or the net premium reserve (NPR) regardless of whether the criteria for exemption testing can be met. However, if the covered policies do not meet the requirements of the stochastic reserve exclusion test in the valuation manual, then the actuarial method is the greatest of the deterministic reserve, the stochastic reserve, or the NPR. In addition, if such covered policies are reinsured in a reinsurance treaty that also contains covered policies described in covered policies (b) in §18305, the ceding insurer may elect to instead use Paragraph 2 below as the actuarial method for the entire reinsurance agreement. Whether Paragraph 1 or 2 are used, the actuarial method must comply with any requirements or restrictions that the valuation manual imposes when aggregating these policy types for purposes of principle-based reserve calculations.

2. For covered policies described in covered policies (b) in §18305, the actuarial method is the greatest of the deterministic reserve, the stochastic reserve, or the NPR regardless of whether the criteria for exemption testing can be met.

3. Except as provided in Paragraph 4 below, the actuarial method is to be applied on a gross basis to all risks with respect to the covered policies as originally issued or assumed by the ceding insurer.

4. If the reinsurance treaty cedes less than 100 percent of the risk with respect to the covered policies then the required level of primary security may be reduced as follows.

a. If a reinsurance treaty cedes only a quota share of some or all of the risks pertaining to the covered policies, the required level of primary security, as well as any adjustment under Subparagraph (c) below, may be reduced to a pro rata portion in accordance with the percentage of the risk ceded;

b. If the reinsurance treaty in a nonexempt arrangement cedes only the risks pertaining to a secondary guarantee, the required level of primary security may be reduced by an amount determined by applying the actuarial method on a gross basis to all risks, other than risks related to the secondary guarantee, pertaining to the covered policies, except that for covered policies for which the ceding insurer did not elect to apply the provisions of VM-20 to establish statutory reserves, the required level of primary security may be reduced by the statutory reserve retained by the ceding insurer on those covered policies, where the retained reserve of those covered policies should be reflective of any reduction pursuant to the cession of mortality risk on a yearly renewable term basis in an exempt arrangement;

c. If a portion of the covered policy risk is ceded to another reinsurer on a yearly renewable term basis in an exempt arrangement, the required level of primary security may be reduced by the amount resulting by applying the actuarial method including the reinsurance section of VM-20 to the portion of the covered policy risks ceded in the exempt arrangement, except that for covered policies issued prior to January 1, 2017, this adjustment is not to exceed $[c_x/2 * \text{number of reinsurance premiums per year}]$ where c_x is calculated using the same mortality table used in calculating the net premium reserve; and

d. For any other treaty ceding a portion of risk to a different reinsurer, including but not limited to stop loss, excess of loss, and other nonproportional reinsurance treaties, there will be no reduction in the required level of primary security.

NOTE: It is possible for any combination of Subparagraphs a, b, c, and d above to apply. Such adjustments to the required level of primary security will be done in the sequence that accurately reflects the portion of the risk ceded via the treaty. The ceding insurer should document the rationale and steps taken to accomplish the adjustments to the required level of primary security due to the cession of less than 100 percent of the risk.

The adjustments for other reinsurance will be made only with respect to reinsurance treaties entered into directly by the ceding insurer. The ceding insurer will make no adjustment as a result of a retrocession treaty entered into by the assuming insurers.

5. In no event will the required level of primary security resulting from application of the actuarial method exceed the amount of statutory reserves ceded.

6. If the ceding insurer cedes risks with respect to covered policies, including any riders, in more than one reinsurance treaty subject to this regulation, in no event will

the aggregate required level of primary security for those reinsurance treaties be less than the required level of primary security calculated using the actuarial method as if all risks ceded in those treaties were ceded in a single treaty subject to this regulation.

7. If a reinsurance treaty subject to this regulation cedes risk on both covered and noncovered policies, credit for the ceded reserves shall be determined as follows:

a. The actuarial method shall be used to determine the required level of primary security for the covered policies, and §18311 shall be used to determine the reinsurance credit for the covered policy reserves; and

b. Credit for the noncovered policy reserves shall be granted only to the extent that security, in addition to the security held to satisfy the requirements of Subparagraph a, is held by or on behalf of the ceding insurer in accordance with R.S. 22:651 and R.S. 22:652. Any primary security used to meet the requirements of this Subparagraph may not be used to satisfy the required level of primary security for the covered policies.

B. For the purposes of both calculating the required level of primary security pursuant to the actuarial method and determining the amount of primary security and other security, as applicable, held by or on behalf of the ceding insurer, the following shall apply:

1. for assets, including any such assets held in trust, that would be admitted under the NAIC Accounting Practices and Procedures Manual if they were held by the ceding insurer, the valuations are to be determined according to statutory accounting procedures as if such assets were held in the ceding insurer's general account and without taking into consideration the effect of any prescribed or permitted practices; and

2. for all other assets, the valuations are to be those that were assigned to the assets for the purpose of determining the amount of reserve credit taken. In addition, the asset spread tables and asset default cost tables required by VM-20 shall be included in the actuarial method if adopted by the NAIC Life Actuarial (A) Task Force no later than the December 31st on or immediately preceding the valuation date for which the required level of primary security is being calculated. The tables of asset spreads and asset default costs shall be incorporated into the actuarial method in the manner specified in VM-20.

AUTHORITY NOTE: Promulgated in accordance with R.S. 22:11, 22:651, 22:652, 22:661, 22:753, and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 48:

§18311. Requirements Applicable to Covered Policies to Obtain Credit for Reinsurance; Opportunity for Remediation

A. Subject to the exemptions described in §18307 and the provisions of Subsection B, credit for reinsurance shall be allowed with respect to ceded liabilities pertaining to covered policies pursuant to R.S. 22:651 and R.S. 22:652 if, and only if, in addition to all other requirements imposed by law or regulation, the following requirements are met on a treaty-by-treaty basis:

1. the ceding insurer's statutory policy reserves with respect to the covered policies are established in full and in accordance with the applicable requirements of R.S. 22:753 and related regulations and actuarial guidelines, and credit

claimed for any reinsurance treaty subject to this regulation does not exceed the proportionate share of those reserves ceded under the contract; and

2. the ceding insurer determines the required level of primary security with respect to each reinsurance treaty subject to this regulation and provides support for its calculation as determined to be acceptable to the commissioner; and

3. funds consisting of primary security, in an amount at least equal to the required level of primary security, are held by or on behalf of the ceding insurer, as security under the reinsurance treaty within the meaning of R.S. 22:652, on a funds withheld, trust, or modified coinsurance basis;

4. funds consisting of other security, in an amount at least equal to any portion of the statutory reserves as to which primary security is not held pursuant to Paragraph 3 above, are held by or on behalf of the ceding insurer as security under the reinsurance treaty within the meaning of R.S. 22:652; and

5. any trust used to satisfy the requirements of §18311 shall comply with all of the conditions and qualifications of §3517 of Regulation 56, except that:

a. funds consisting of primary security or other security held in trust, shall for the purposes identified in §18309.B, be valued according to the valuation rules set forth in §18309.B, as applicable; and

b. there are no affiliate investment limitations with respect to any security held in such trust if such security is not needed to satisfy the requirements of Subsection A.3; and

c. the reinsurance treaty must prohibit withdrawals or substitutions of trust assets that would leave the fair market value of the primary security within the trust (when aggregated with primary security outside the trust that is held by or on behalf of the ceding insurer in the manner required by Subsection A.3) below 102 percent of the level required by Subsection A.3 at the time of the withdrawal or substitution; and

d. the determination of reserve credit under §3517.E of Regulation 56 shall be determined according to the valuation rules set forth in §18309.B, as applicable; and

6. the reinsurance treaty has been approved by the commissioner.

B. Requirements at Inception Date and on an On-Going Basis; Remediation

1. The requirements of Subsection A must be satisfied as of the date that risks under covered policies are ceded if such date is on or after September 1, 2022, and on an ongoing basis thereafter. Under no circumstances shall a ceding insurer take or consent to any action or series of actions that would result in a deficiency under Subsection A.3 or A.4 with respect to any reinsurance treaty under which covered policies have been ceded, and in the event that a ceding insurer becomes aware at any time that such a deficiency exists, it shall use its best efforts to arrange for the deficiency to be eliminated as expeditiously as possible.

2. Prior to the due date of each quarterly or annual statement, each life insurance company that has ceded reinsurance within the scope of §18303 shall perform an analysis, on a treaty-by-treaty basis, to determine, as to each reinsurance treaty under which covered policies have been ceded, whether as of the end of the immediately preceding

calendar quarter (the valuation date) the requirements of Subsection A.3 or A.4 were satisfied. The ceding insurer shall establish a liability equal to the excess of the credit for reinsurance taken over the amount of primary security actually held pursuant to Subsection A.3, unless either:

a. the requirements of Subsection A.3 or A.4 were fully satisfied as of the valuation date as to such reinsurance treaty; or

b. any deficiency has been eliminated before the due date of the quarterly or annual statement to which the valuation date relates through the addition of primary security and/or other security, as the case may be, in such amount and in such form as would have caused the requirements of Subsection A.3 or A.4 to be fully satisfied as of the valuation date.

3. Nothing in Subsection B.2 shall be construed to allow a ceding company to maintain any deficiency under subdivision Subsection A.3 or A.4 for any period of time longer than is reasonably necessary to eliminate it.

AUTHORITY NOTE: Promulgated in accordance with R.S. 22:11, 22:651, 22:652, 22:661, 22:753, and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 48:

§18313. Severability

A. If any provision of this regulation is held invalid, the remainder shall not be affected.

AUTHORITY NOTE: Promulgated in accordance with R.S. 22:11, 22:651, 22:652, 22:661, 22:753, and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 48:

§18315. Prohibition against Avoidance

A. No insurer that has covered policies to which this regulation applies, as set forth in §18303, shall take any action or series of actions, or enter into any transaction, arrangement, or series of transactions or arrangements if the purpose of such action, transaction, arrangement, or series thereof is to avoid the requirements of this regulation, or to circumvent its purpose and intent, as set forth in §18301.

AUTHORITY NOTE: Promulgated in accordance with R.S. 22:11, 22:651, 22:652, 22:661, 22:753, and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 48:

§18317. Effective Date

A. This regulation shall become effective September 1, 2022 and shall pertain to all covered policies in force as of and after that date.

AUTHORITY NOTE: Promulgated in accordance with R.S. 22:11, 22:651, 22:652, 22:661, 22:753, and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 48:

Family Impact Statement

1. Describe the Effect of the Proposed Regulation on the Stability of the Family. The proposed regulation should have no measurable impact upon the stability of the family.

2. Describe the Effect of the Proposed Regulation on the Authority and Rights of Parents Regarding the Education and Supervision of their Children. The proposed regulation should have no impact upon the rights and authority of parents regarding the education and supervision of their children.

3. Describe the Effect of the Proposed Regulation on the Functioning of the Family. The proposed regulation should have no direct impact upon the functioning of the family.

4. Describe the Effect of the Proposed Regulation on Family Earnings and Budget. The proposed regulation should have no direct impact upon family earnings and budget.

5. Describe the Effect of the Proposed Regulation on the Behavior and Personal Responsibility of Children. The proposed regulation should have no impact upon the behavior and personal responsibility of children.

6. Describe the Effect of the Proposed Regulation on the Ability of the Family or a Local Government to Perform the Function as Contained in the Rule. The proposed regulation should have no impact upon the ability of the family or a local governmental unit to perform the function as contained in the rule.

Poverty Impact Statement

1. Describe the Effect on Household Income, Assets, and Financial Security. The proposed regulation should have no effect on household income assets and financial security.

2. Describe the Effect on Early Childhood Development and Preschool through Postsecondary Education Development. The proposed regulation should have no effect on early childhood development and preschool through postsecondary education development.

3. Describe the Effect on Employment and Workforce Development. The proposed regulation should have no effect on employment and workforce development.

4. Describe the Effect on Taxes and Tax Credits. The proposed regulation should have no effect on taxes and tax credits.

5. Describe the Effect on Child and Dependent Care, Housing, Health Care, Nutrition, Transportation and Utilities Assistance. The proposed regulation should have no effect on child and dependent care, housing, health care, nutrition, transportation, and utilities assistance.

Small Business Analysis

The impact of the proposed regulation on small businesses as defined in the Regulatory Flexibility Act has been considered. It is estimated that the proposed action is not expected to have a significant adverse impact on small businesses. The agency, consistent with health, safety, environmental and economic welfare factors has considered and, where possible, utilized regulatory methods in the drafting of the proposed regulation that will accomplish the objectives of applicable statutes while minimizing the adverse impact of the proposed regulation on small businesses.

1. Identification and Estimate of the Number of the Small Businesses Subject to the Proposed Rule. The proposed regulation should have no measurable impact upon small businesses.

2. The Projected Reporting, Record Keeping, and Other Administrative Costs Required for Compliance with the Proposed Rule, Including the Type of Professional Skills Necessary for Preparation of the Report or Record. The proposed regulation should have no measurable impact upon small businesses.

3. A Statement of the Probable Effect on Impacted Small Businesses. The proposed regulation should have no measurable impact upon small businesses.

4. Describe any Less Intrusive or Less Costly Alternative Methods of Achieving the Purpose of the Proposed Rule. The proposed regulation should have no measurable impact on small businesses; therefore, there is no less intrusive or less costly alternative method of achieving the purpose of the proposed regulation.

Provider Impact Statement

1. Describe the Effect on the Staffing Level Requirements or Qualifications Required to Provide the Same Level of Service. The proposed regulation will have no effect.

2. The Total Direct and Indirect Effect on the Cost to the Provider to Provide the Same Level of Service. The proposed regulation will have no effect.

3. The Overall Effect on the Ability of the Provider to Provide the Same Level of Service. The proposed regulation will have no effect.

Public Comments

Interested persons who wish to make comments may do so by writing to Jennifer Land, Staff Attorney, Louisiana Department of Insurance, P.O. Box 94214, Baton Rouge, LA 70804-9214, by faxing comments to (225) 342-1632, or electronically at public@ldi.la.gov. Comments will be accepted through the close of business, 4:30 p.m., April 9, 2022.

James J. Donelon
Commissioner

FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES

RULE TITLE: Regulation 121—Term and Universal Life Insurance Reserve Financing

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENT UNITS (Summary)

The proposed rule is not anticipated to result in implementation costs or savings to the state or local governmental units. The proposed rule is promulgated to implement the National Association of Insurance Commissioners (NAIC) Term and Universal Life Insurance Reserve Financing Model Regulation. This regulation sets forth rules and procedural requirements to establish uniform, national standards governing reserve financing arrangements pertaining to life insurance policies containing guaranteed nonlevel gross premiums or guaranteed nonlevel benefits and universal life insurance policies with secondary guarantees and to ensure that, with respect to each such financing arrangement, funds consisting of primary security and other security, as defined in §18305 - Definitions, are held by or on behalf of ceding insurers in the forms and amounts required herein.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rule will have no impact on state or local governmental revenues.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS (Summary)

The proposed rule benefits all life insurance companies in the state of Louisiana by establishing rules and guidelines for reserve financing for certain covered term and universal life

policies. These policies are defined in this regulation under §18305- Definitions.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

The proposed rule will have no impact upon competition and employment in the state.

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Chief of Staff
2203#058

Evan Brasseaux
Interim Deputy Fiscal Officer
Legislative Fiscal Office

NOTICE OF INTENT

**Department of Insurance
Office of the Commissioner**

Regulation 122—Roles and Responsibilities of Pharmacy Benefit Managers and Pharmacy Services Administrative Organizations (LAC 37:XIII.Chapter 185)

The Department of Insurance, pursuant to the authority of the Louisiana Insurance Code, R.S. 22:1 et seq., and in accordance with the Administrative Procedure Act, R.S. 49:950 et seq., hereby gives notice of its intent to promulgate Regulation 122—Roles and Responsibilities of Pharmacy Benefit Managers and Pharmacy Services Administrative Organizations. Regulation 122 defines the roles and responsibilities solely within the purview of pharmacy benefit managers and pharmacy services administrative organizations as required by R.S. 22:1660.9(C).

**Title 37
INSURANCE**

Part XIII. Regulations

Chapter 185. Regulation Number 122—Roles and Responsibilities of Pharmacy Benefit Managers and Pharmacy Services Administrative Organizations

§18501. Purpose

A. The purpose of this regulation is to define the roles and responsibilities solely within the purview of pharmacy benefit managers and pharmacy services administrative organizations as required by R.S. 22:1660.9(C).

AUTHORITY NOTE: Promulgated in accordance with R.S. 22:11, R.S. 22:1641(8), R.S. 22:1655, R.S. 22:1660.1(B)(1), R.S. 22:1660.8, R.S. 22:1660.9(C) and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 48:

§18503. Applicability and Scope

A. Regulation 122 shall apply to all pharmacy benefit managers and pharmacy services administrative organizations licensed in Louisiana.

AUTHORITY NOTE: Promulgated in accordance with R.S. 22:11, R.S. 22:1641(8), R.S. 22:1655, R.S. 22:1660.1(B)(1), R.S. 22:1660.8, R.S. 22:1660.9(C) and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 48:

§18505. Definitions

Pharmacy Benefit Manager—a person, business, or other entity and any wholly or partially owned or controlled subsidiary of such entity that either directly or through an intermediary manages or administers the prescription drug