

FS Regulatory Briefs*

Regulators Collectively Deny Life Insurance Industry's Request for 2008 Capital and Surplus Relief, Leaving States Free to Exercise Independent Judgment

On January 29, 2009, the National Association of Insurance Commissioners' (NAIC) Executive Committee declined to adopt on an emergent basis nine proposals from the American Council of Life Insurers (ACLI) aimed at easing reserve and capital requirements for year-end 2008. However, the applicable committees and groups (e.g. Life and Health Actuarial Task Force and the SAP Working Group) will continue to consider the proposals for future adoption of the NAIC's normal operating procedures.

ACLI's Suggested Changes

The suggested changes generally impact the following:

- Reserves for certain life insurance products;
- Reserve and capital requirements for variable annuities with guarantees;
- Capital requirements for commercial mortgages held by insurance companies; and
- Accounting for deferred taxes.

States Free to Exercise Independent Judgment

Notwithstanding the Executive Committee's vote, state regulators have the authority and discretion to utilize permitted practices to provide relief to individual insurers.

In addition:

On January 22, 2009, the Ohio Department of Insurance passed emergency rules [3901-6-10](#) and [3901-6-12](#) to allow life insurers to change assumptions on mortality rates, therefore altering their policy reserves. The Ohio Department stated that, through its risk assessment process, it will monitor the use of the additional capital released to the insurers utilizing these rules.

On February 3, 2009, the Iowa Insurance Division released a revised [Bulletin 09-01](#), to announce changes to accounting for deferred taxes for reporting periods ending on or after December 31, 2008. This Bulletin was recently revised to require individual companies to file with the Division a request for the permitted practice, including a detailed description of how the deferred tax assets are expected to be realized within the next three years and the company's total adjusted capital and authorized control level risk based capital without using the permitted practice.

On February 4, 2009, the Illinois Insurance Division released Bulletin [CB 2009-02](#), to announce that it will accept and evaluate individual company applications for variances from statutory accounting practices, providing the companies provide a substantive explanation in support of the requested practice and the consumer impact of the variance.

In a recent, but undated, [letter](#) to the members of the NAIC's Members of the Capital and Surplus Relief (EX) Working Group, Connecticut Insurance Commissioner Thomas Sullivan outlined how his Department has the regulatory authority in certain areas to grant permitted practices.

Recent media reports have indicated that New York and Kansas may also consider taking action; however no other states have yet officially announced plans to do so.

Additional Information

If you would like additional information about the topic discussed in this FS Regulatory Summary, please contact:

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