

SECTION 7: SUMMARY OF ALL PUBLIC COMMENTS



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

SUMMARY OF PUBLIC COMMENTS

Comments were received from American Council of Life Insurers ("ACLI")

Request was made to change effective date of when the table would be applicable to new contracts from 2014 to 2015. The Insurance Department agreed and made the change.

Cook, Beth

From: Cook, Beth
Sent: Friday, October 04, 2013 5:00 PM
To: Kate Kiernan
Cc: Susan Giacalone
Subject: RE: IAC-ACLI Comments - Life Settlement proposed regulation 3-25-13

Kate:

Thanks for the comments. The Department agrees and has already made the requested change.

Beth Cook
Counsel
State of Connecticut Insurance Department Mail address:
P.O. Box 816
Hartford, CT 06142-0816
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From: Kate Kiernan [KateKiernan@acli.com]
Sent: Friday, October 04, 2013 4:49 PM
To: Cook, Beth
Cc: Susan Giacalone
Subject: IAC-ACLI Comments - Life Settlement proposed regulation 3-25-13



October 4, 2013

Beth Cook, Counsel
Connecticut Insurance Department
P.O. Box 816
Hartford, CT 06142-0816

Re: Proposed Regulation Regarding NAIC Model Regulation for Recognizing New Annuity Mortality Tables For Use In Determining Reserve Liabilities for Annuities

Dear Attorney Cook:

ACLI supports the adoption of the NAIC Model Regulation for Recognizing New Annuity Mortality Tables For Use In Determining Reserve Liabilities for Annuities. We are, however, concerned about the specified application to contracts issued January 1, 2014 and later. ACLI recommends that the table be required for contracts issued on January 1, 2015 and later for the reasons outlined below.

First, the new table introduces a new construct into the valuation of individual annuities, which is the use of a 'generational table'. This table does not have static mortality rates by age, but rather has mortality rates which vary not only by age but also by the year of birth. That is, the mortality for a 65 year old in 2015 (born in 1950) is different than the mortality for a 65 year old in 2016 (born in 1951). This complexity requires reprogramming of valuation systems for many companies. Companies request that the implementation date be moved to 2015 in order to provide appropriate timelines for upgrading and testing systems.

Second, for competitive reasons it is desirable for the table to be effective as simultaneously as possible in the states. This new table will generally result in higher reserves, making it more expensive for companies to write payout annuities if this table is required by their domestic state. It is therefore desirable for the table to become effective simultaneously in states. Since it is now August and no state has yet enacted these changes, 2015 is a more realistic date to have consistent implementation by a significant number of states.

Third, a table needs to be recognized by 26 states in order for that table to be considered 'prevailing' and therefore used to establish reserves for determining Federal Income Tax. Since this table will produce higher reserves, if it is not available for determining reserves for income tax, those additional statutory reserves will not be tax deductible to the companies. This will be a further negative impact on domestic companies. By moving the date to 2015, there will be a greater chance of the table being recognized by at least 26 states and therefore providing a tax basis that is parallel with the statutory basis.

ACLI had raised these same arguments at the NAIC while these changes to this model regulation were being developed. The NAIC agreed that consistency of statutory and tax reserves is

preferable and went forward with the 2014 date under the assumption that if the Model was changed by December 2012, 13 months would be sufficient to meet the 26 state threshold. As of July 31, 2013 no state had yet adopted the table, and it is highly unlikely that 26 states will adopt prior to the end of the year.

In order to accomplish this, we request that the optional date in Section 38a-78-3(d) be applicable to contracts issued on or after January 1, 2015.

The ACLI remains committed to appropriate reserves and we believe the 2012 Payout Annuity Mortality table helps achieve that goal. A requirement for the new table to apply to contracts issued January 1, 2015 or later provides for the most orderly implementation.

Thank you for consideration.

Sincerely,

A handwritten signature in cursive script that reads "Kate Kiernan".

Kate Kiernan
Vice President, Chief Counsel & Deputy
ACLI State Relations