

Best's News Service - April 16, 2014 03:31 PM

Florida Senators Considering Principles-Based Reserving Legislation

TALLAHASSEE, Fla. - Florida is among seven states currently considering bills to approve use of principles-based reserving for use by life insurers.

SB 1308 is sponsored by Sen. David Simmons along with the Banking and Insurance Committee he chairs and the Judiciary Committee. It contains a host of updates to insurance statutes, including an update of the Standard Valuation Manual to address principles-based reserving. The bill has moved unanimously through three committees and is poised to be heard on the floor.

The PBR changes are part of the valuation manual, which a Senate analysis of the bill said preserves states' authority to require insurers to change any assumption or method and allows regulators to hire an actuary at insurer expense to review compliance with the manual provisions, including PBR.

PBR will impact policies issued on or after the date the manual legislation is signed. Insurers can opt to phase in PBR requirements over a three-year period after the revised manual takes effective, which is no earlier than Jan. 1, 2017, the bill said.

Under PBR, insurers face numerous requirements in the bill. For instance, they must qualify the benefits, guarantees and funding associated with policies and their risks at a level of conservatism reflecting various conditions. These conditions include unfavorable events that have a reasonable probability of occurring during the life of the policy. Also, insurers will be required to incorporate assumptions, risk analysis methods, financial models and management techniques that are consistent with those used in an insurer's overall risk assessment process.

Insurers reinsuring through a captive insurance company must send the state Office of Insurance Regulation an annual report containing information specific to reinsurance assume by each captive.

Attempts to gain comment from the American Council of Life Insurers were unsuccessful. The Affordable Life Insurance Alliance didn't provide a position on the legislation.

States have been considering PBR ratification that would make the process a nationwide standard for life insurers since the National Association of Insurance Commissioners narrowly approved sending the issue to them in December 2012 ([Best's News Service, Dec. 3, 2012](#)).

Forty-two states holding 75% of all life insurance premiums must pass legislation approving PBR in order for it to become a national standard. To date, the NAIC said 13 states have passed bills containing PBR requirements. In 2013, governors in Arizona, Indiana, Louisiana, Maine, New Hampshire, Rhode Island and Tennessee signed PBR bills. This year lawmakers in Iowa, Mississippi, Nebraska, New Mexico, Virginia and West Virginia have all approved PBR use.

Other than Florida, states with PBR legislation include Connecticut, Georgia, Hawaii, Missouri, Ohio and Oklahoma, according to the NAIC.

The NAIC's life actuarial task force is considering a proposal from the ACLI designed to aid the passage of legislation by exempting smaller life insurance companies from PBR requirements. The ACLI estimates the exemptions would cover 10%-15% of life insurers who would otherwise be impacted by PBR currently.

New York and California are opposed to PBR and together come close to surpassing the 25% insurance premium threshold needed to block its use as a national standard.

(By Thomas Harman, associate editor, BestWeek: Tom.Harman@ambest.com)

BN-NJ-4-16-2014 1531 ET #

Related News: [State Legislation](#), [Florida](#), [Reserves](#), [Life Insurers](#)

Follow the latest update on this and other [news stories](#)

[Article Reprints](#) - Order a reprint or request permission to post the article on your intranet.

[BestDay](#) - Start your day with a roundup of the latest insurance news through our daily online news publication. BestDay compiles the top stories of the past 24 hours and summarizes them in one convenient spot.
