

**Financial Analysis Handbook Ratios**

The purpose of the call was to discuss a request from the Financial Analysis Handbook Working Group to study and comment upon certain financial ratios related to reserves. The ratios in question look at interest margins on life insurance and annuity lines of business and reserve increases on those lines in relation to changes in fund values.

Not one of the regulators of the ten states represented on the call use these ratios. Instead they rely on the actuarial opinions. Some regulators indicated some difficulties because the ratios are too broad. For example, for life insurance it would be helpful to analyze interest-sensitive life separately from traditional life; for annuities it would be helpful to split separate account business and also deposit-type annuities from other annuities.

LHATF appointed Kerry Krantz (FL) to report by the June LHATF meeting on how these ratios can be improved as early warning signs for regulators.

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