Capital & Surplus Relief

This call, scheduled for one hour, ran 40 minutes over the allotted time. The plan was for LHATF to approve various capital and surplus relief proposals for its parent (A) Committee to consider immediately after the call. That did not happen, and here is why.

Various members wanted to review results of a survey on the impact of the changes before proceeding. The survey not being complete, some states expressed reluctance to make any decisions. Nevertheless, LHATF then discussed each issue.

For the proposal to use the 2001 CSO Preferred Class Structure mortality table retroactively, ACLI and Sheldon Summers (CA) submitted competing amendments:

- ACLI proposed that in order to use the proposal companies demonstrate that reserves on such business are adequate. The demonstration requires adding a defined margin to anticipated mortality rates. Some regulators questioned the appropriateness of the defined margin.
- Summers resurrected his once dead proposal to require adjustments to reserve credits when reinsurance premium modes differ from direct premium modes. Many members resisted that, in one case referring to it as “micromanaging”.
- In a nail-biter, the ACLI proposal bit the dust 7-6 (NY abstained). LHATF then voted to expose the CA proposal for comment by a tally of 7-4 (with 3 abstentions).

LHATF then voted to adopt various other proposals with no one opposed (although 2 members abstained):

- The AOMR would now require more focus on and discussion about interim results,
- LHATF would lift artificial constraints on X-factors (the 20% minimum and the non-decrease by duration), and
- Redetermination of segments on business using the Preferred Class Structure is not required.

The goal is to have something to recommend to the (A) Committee at the Minneapolis meeting next week.

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