



AMERICAN ACADEMY *of* ACTUARIES

June 26, 2014

Steve Ostlund, Chair
Health Actuarial Task Force
National Association of Insurance Commissioners

Dear Steve,

The American Academy of Actuaries'¹ Tax Work Group appreciates the opportunity to comment on the *2013 Individual Disability Income Valuation Tables*.

Section 807 (d)(5)(A) of the Internal Revenue Code requires that tax reserves be calculated using the most recent commissioners' standard tables prescribed by the NAIC which are permitted to be used in computing reserves for that type of contract under the laws of at least 26 states when the contract was issued. Section 807 (d)(5)(B) provides a transition period during which either the previous prevailing table or the current prevailing table may be used in calculating tax reserves.

We are proposing a revision to the Health Insurance Reserves Model Regulation to clarify what the NAIC considers to be the standard table. This clarification of the definition of the standard table would promote uniformity in the determination that the NAIC-prescribed standard table to be used for tax reserves includes modifiers and adjustments, which are integral and necessary to determining the appropriate statutory reserve level.

In addition, since tax reserves are to be determined using the table and interest rate as of the "issue date," we have proposed language to clarify for tax purposes that for claim reserves, the claim incurral date is to be considered the "issue date" for determining the table and interest rate to be used for disabled-lives reserves. This is a clarification and not a substantive change as, for example, Appendix A, II., B. states "For claim reserves on policies that require contract reserves, the maximum interest rate is the maximum rate permitted by law in the valuation of whole life insurance issued on the same date as the claim incurral date."

Proposed changes to the regulation:

1. I. A.(1) (a)

Replace "The 2013 IDI Valuation Table" with "The 2013 IDI Valuation Table with the modifiers described in the Actuarial Report for the 2013 Table"

2. I. A.(1) (b) (ii)

Replace "use the 2013 IDI Valuation Table" with "The 2013 IDI Valuation Table with the modifiers described in the Actuarial Report and adjustments for company experience as

¹ The American Academy of Actuaries is an 18,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

prescribed in the Actuarial Guideline"

3. Section 2. A.

Add: "(4) For claim reserves on policies that require contract reserves, the claim incurral date is to be considered the "issue date" for determining the table and interest rate to be used for disabled-lives reserves."

Please contact Bill Rapp, Assistant Director of Public Policy at the American Academy of Actuaries, (rapp@actuary.org; 202-223-8196) if you have any questions or comments.

Sincerely,

Barbara Gold, Chairperson
Tax Work Group
American Academy of Actuaries