

AGENDA
FINANCIAL SERVICES COMMISSION
Office of Insurance Regulation
Materials Available on the Web at:

<http://www.floir.com/Sections/GovAffairs/FSC.aspx>

June 16, 2011

MEMBERS

Governor Rick Scott
Attorney General Pam Bondi
Chief Financial Officer Jeff Atwater
Commissioner Adam Putnam

Contact: Ashlee Falco
(850-413-5069)

9:00 A.M.
LL-03, The Capitol
Tallahassee, Florida

ITEM	SUBJECT	RECOMMENDATION
-------------	----------------	-----------------------

1.	Minutes of the Financial Services Commission for March 9, 2011	
----	--	--

(ATTACHMENT 1)

FOR APPROVAL

2.	Request for Approval for Publication of Amendments to Proposed Rules	
----	--	--

69O-138.047; Description of Actuarial Memorandum including an Asset Adequacy Analysis and Regulatory Asset Adequacy Issues Summary

69O-162.203; Adoption of 2001 Commissioners Standard Ordinary (CSO) Preferred Mortality Tables for Determining Reserve Liabilities for Ordinary Life Insurance

69O-164.020; Valuation of Life Insurance Policies

These rule amendments are consistent with changes to move away from rule-based reserve requirements and toward principle-based reserve requirements. Rule-based reserves specify mortality tables, interest rates, and method (formulas) as a one size fits all approach. Principle-based reserves permit greater judgment on the part of a company actuary to use assumptions based, to the extent statistically credible, on a company's own experience. Changing to principle-based reserving is occurring at both the national and international levels.

Until recent technology made expanded underwriting criteria practical, mortality tables were based on standard and substandard (health history and/or dangerous hobby) risks, age, sex, and smoker/non-smoker status. Newly developed tables permit super-preferred, preferred, standard, and substandard risk classifications. These tables were first available for policies issued in 2007. Since company underwriting during 2005 and 2006 was essentially the same as in 2007, the industry requested that reserves for policies issued in

these two years be calculated using the preferred mortality tables. During the economic downturn, this would provide "surplus relief," that is lowering reserves on the balance sheet would increase capital and surplus.

An initial step toward the use of principle-based reserves in the U.S. was the adoption by the National Association of Insurance Commissioners (NAIC) of changes to two model regulations which are a national standard for life insurance reserve calculations. The purpose of the NAIC models are for each state to adopt them so that the regulation of insurers is consistent among all the states.

At the request of the life insurance industry, the Life and Health Actuarial Task Force of the NAIC developed the changes which ultimately were adopted by the NAIC. An initial draft of the proposed changes to our rules adopting the NAIC amendments was emailed to a senior American Council of Life Insurers (ACLI) actuary last year and minor changes were made based upon his suggestions. (The ACLI represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States.) Additional changes were made to conform to statutory requirements at the request of the attorney who reviews proposed rules on behalf of the Joint Administrative Procedures Committee of the Florida Legislature. The revised draft was sent to the ACLI actuary who did not object to the changes.

With the adoption of these amended rules, an insurer will have the option to extend the use of preferred mortality tables currently permitted for policies issued on or after 2007 to policies issued in 2005 and 2006. In addition, a company's appointed actuary will be able to adjust mortality used to calculate additional premium reserves to levels consistent with the experience studies performed by the company and anticipated future mortality. The initial impact of the rule will be to lower reserve requirements, thus increasing capital and surplus. After that initial impact, reserves will increase or decrease according to changes in the number of policies remaining in force (reserves will decrease if the number of policies decreases) and the aging of the insured population (reserves will increase as the ages of the insured population increases).

(ATTACHMENT 2)

APPROVAL FOR PUBLICATION

3. Approval of Appointments to the Workers' Compensation Joint Underwriting Association Board of Governors

Pursuant to Section 627.311 (5)(b), Florida Statutes, there are nine members of the Florida Workers' Compensation Joint Underwriting Association (FWCJUA) Board of Governors; eight of the members shall be appointed by the Financial Services Commission. The current Board members' terms will expire on June 30, 2011.

(ATTACHMENT 3)

FOR APPROVAL

4. Update on the Financial Condition of Citizens Property Insurance Corporation

(For Information)

No Action Required