



AMERICAN ACADEMY *of* ACTUARIES

Update Report on Deferred Tax Assets

Presented by the American Academy of Actuaries' Life Capital Adequacy Subcommittee to the National Association of Insurance Commissioners' Life Risk-Based Capital Working Group

Chicago, Illinois – December 2001

The American Academy of Actuaries is the public policy organization for actuaries practicing in all specialties within the United States. A major purpose of the Academy is to act as the public information organization for the profession. The Academy is non-partisan and assists the public policy process through the presentation of clear and objective actuarial analysis. The Academy regularly prepares testimony for Congress, provides information to federal elected officials, comments on proposed federal regulations, and works closely with state officials on issues related to insurance. The Academy also develops and upholds actuarial standards of conduct, qualification and practice and the Code of Professional Conduct for all actuaries practicing in the United States.

Life Capital Adequacy Subcommittee
Alastair G. Longley-Cook, F.S.A., M.A.A.A., Chair

Gerald A. Anderson, F.S.A., M.A.A.A.
Robert A. Brown, F.S.A., M.A.A.A.
Martin Claire, F.S.A., M.A.A.A.
Larry Gorski, F.S.A., M.A.A.A.
Norman E. Hill, F.S.A., M.A.A.A.
Jan L. Pollnow, F.S.A., M.A.A.A.
James F. Reiskytl, F.S.A., M.A.A.A.
James A. Tolliver, F.S.A., M.A.A.A.
Bill Wilton, F.S.A., M.A.A.A.

Stephen M. Batza, F.S.A., M.A.A.A.
Jeffrey M. Brown, F.S.A., M.A.A.A.
Joseph L. Dunn, F.S.A., M.A.A.A.
Arnold N. Greenspoon, F.S.A., M.A.A.A.
Keith D. Osinski, F.S.A., M.A.A.A.
Craig R. Raymond, F.S.A., M.A.A.A.
Mark C. Rowley, F.S.A., M.A.A.A.
George M. Wahle, F.S.A., M.A.A.A.
Michael L. Zurcher, F.S.A., M.A.A.A.

The National Association of Insurance Commissioners' (NAIC) Life Risk-Based Capital Working Group and the American Academy of Actuaries' Life Capital Adequacy Subcommittee (subcommittee) will continue to monitor the 2001 Quarterly Deferred Tax Asset (DTA) reporting by companies. The subcommittee assumes that these DTA calculations will continue to improve (both in their accuracy and consistency) especially since the fourth quarter results will be audited.

Additional guidance provided by insurance industry experts will be proposed in the form of questions & answers in December 2001 for approval by the NAIC's Statutory Accounting Principles Working Group.

The subcommittee's Codification Subgroup will recommend a Risk-Based Capital (RBC) factor to be applied to future DTAs when sufficient data becomes available. Obviously, current data on DTA fluctuations is very limited and may, for some companies, be inaccurate. As the data improves after year-end, and additional data becomes available, a factor will be recommended for consideration by the NAIC, as requested.