TITLE 760 DEPARTMENT OF INSURANCE

Economic Impact Statement
LSA Document #14-298

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

IC 4-22-2.1-5(a) provides that an agency that intends to adopt a rule under IC 4-22-2 that will impose requirements or costs on small businesses must prepare a statement that describes the annual economic impact of the rule on small businesses after the rule is fully implemented as described in IC 4-22-2.1-5(b). That statement must be submitted to the Office of Small Business and Entrepreneurship (OSBE). The OSBE is required to review the rule and submit written comments to the agency not later than seven days before the public hearing.

The proposed rule amends 760 IAC 1-35 concerning mortality tables for annuity reserve liabilities and adds the 2012 Individual Annuity Reserve Table (IAR Table) to be used for the minimum reserve valuation for individual annuities or pure endowment contracts issued on or after January 1, 2015. The proposed amendments are based upon a model regulation adopted by the National Association of Insurance Commissioners (NAIC).

Estimated Number of Small Businesses Affected:

The proposed rule will impact life insurance companies. There are 26 domestic life insurance companies. It is unknown how many companies qualify as small businesses.

Estimated Administrative Costs Imposed on Small Businesses:

It is anticipated that at least 25 other states will be adopting the amendments to this rule by January 1, 2015. Therefore, companies will already be preparing their systems to implement the new changes. For this reason, regulatory costs associated with this proposed rule for companies doing business in Indiana are expected to be negligible.

Estimated Total Annual Economic Impact on Small Businesses:

The overall impact of this rule is positive to life insurance companies as it allows a more realistic reserve to be held for this type of policy.

Justification of Requirements or Costs:

The IAR Table will become the basis for tax reserves once it has been adopted by 26 states. Because the proposed amendments will generally require higher reserves, it therefore creates a competitive imbalance if the amendments become effective in some jurisdictions and not in others. In order to maintain a level playing field, the American Council of Life Insurers has requested that the amendments be implemented in as many jurisdictions as possible by January 1, 2015.

Regulatory Flexibility Analysis:

The department determined that adoption of the model standards issued by the NAIC would be the most beneficial for the marketplace. The standards are uniform so there is no additional cost for doing business in Indiana. There are no less intrusive or less costly alternative methods for achieving the purposes of the proposed rule.

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