



Illinois Department of Financial and Professional Regulation

Division of Insurance

PAT QUINN
Governor

Michael T. McRaith
Director
Division of Insurance

TO: COMPANIES AUTHORIZED TO TRANSACT
INSURANCE BUSINESS IN ILLINOIS

FROM: MICHAEL T. McRAITH, DIRECTOR OF INSURANCE *MTM*

DATE: FEBRUARY 4, 2009

RE: CB 2009-02

FOR QUESTIONS REGARDING APPLICATIONS FOR
PERMITTED PRACTICES PLEASE E-MAIL:

Jim Hanson at: Jim.Hanson@illinois.gov

The purpose of this bulletin is to advise companies of the Division's procedures and guidelines respecting applications for permitted statutory accounting practices.

Over the past several months, and in light of current national and global economic challenges, state insurance commissioners have considered insurance industry requests for capital and surplus relief, including treatment of deferred tax assets. Requests also include proposed changes to reserving, risk-based capital, reinsurance collateral and accounting requirements. The National Association Of Insurance Commissioners' Capital and Surplus Relief Working Group carefully evaluated each of nine proposed changes and provided expertise which has supplemented the Division's internal analyses.

The Division recognizes and appreciates the Working Group's recommendations. The Division also recognizes the need to consider each company's particular financial circumstances. Further, the Division recognizes the importance of reviewing and evaluating statutory accounting standards as part of ongoing and effective consumer-focused regulatory modernization efforts.

Illinois will not broadly or by blanket application reduce accounting standards governing capital and surplus adequacy. Consistent with the NAIC Accounting Practices and Procedures Manual, historical practice and the protection of consumers' financial interests, Illinois will accept and evaluate individual company applications for variances from statutory accounting practices. This consideration will be based on the specific applicant's substantive explanation in support of the requested practice and the consumer impact of the variance, if approved.

Questions on this bulletin should be directed to Jim Hanson, Assistant Deputy Director, Illinois Division of Insurance.