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GOVERNOR

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COMMISSIONER OF INSURANCE

PATTY JUDGE  
LT. GOVERNOR

BULLETIN  
09-01

TO: Iowa Domestic 508 and 515 Insurance Companies

FROM: Susan E. Voss, Commissioner of Insurance

DATE: February 3, 2009

RE: Accounting for Deferred Taxes for reporting periods ending on or after December 31, 2008

The NAIC Accounting Practices and Procedures Manual (Manual), allows an insurance commissioner to consider accounting practices that depart from those prescribed in the Manual. After due consideration of the provisions for determining the admitted amount of deferred income taxes under paragraphs 10 and 11 of Statement of Statutory Accounting Principles (SSAP) No. 10, Commissioner Voss is permitting that Life and Property and Casualty insurance companies domiciled in the state of Iowa may determine the admitted amount of deferred income taxes based on the following highlighted changes to paragraphs 10 and 11.

10. Gross DTAs shall be admitted in an amount equal to the sum of:
  - a. Federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year;
  - b. The lesser of:
    - i. The amount of gross DTAs, after the application of paragraph 10 a., expected to be realized within ~~one~~ three years of the balance sheet date; or
    - ii. ~~Ten~~ Fifteen percent of statutory capital and surplus as required to be shown on the statutory balance sheet of the reporting entity for its most recently filed statement with the domiciliary state commissioner adjusted to exclude any net DTAs, EDP equipment and operating system software and any net positive goodwill; and
  - c. The amount of gross DTAs, after application of paragraphs 10 a. and 10 b., that can be offset against existing gross DTLs.
  
11. In computing a reporting entity's gross DTA pursuant to paragraph 10;
  - a. Existing temporary differences that reverse by the end of the subsequent calendar year shall be determined in accordance with paragraphs 228 and 229 of FAS 109;

- b. In determining the amount of federal income taxes that can be recovered through loss carrybacks, the amount and character (i.e., ordinary versus capital) of the loss carrybacks and the impact, if any, of the Alternative Minimum Tax shall be determined in accordance with the provisions of the Internal Revenue Code, and regulations thereunder;
- c. The amount of carryback potential that may be considered in calculating the gross DTAs of a reporting entity in subparagraph 10 a. above, that files a consolidated income tax return with one or more affiliates, may not exceed the amount that the reporting entity could reasonably expect to have refunded by its parent; and
- d. The phrases “reverse by the end of the subsequent calendar year” and “realized within ~~one~~ three years of the balance sheet date” are intended to accommodate interim reporting dates and reporting entities that file on an other than calendar year basis for federal income tax purposes.” Statement of Statutory Accounting Principles (SSAP) No. 10 (emphasis supplied)

These revised sections of SSAP No. 10 are effective for reporting periods ending on or after December 31, 2008 and will expire on December 15, 2009. These revised sections of SSAP No. 10 may be renewed on December 15, 2009 at the option of the Commissioner.

Any financial benefit derived from this revised section shall be shown in the capital section in the balance sheet as Aggregate write-ins for other than special surplus funds and shall not be used to determine earned surplus. On the income statement or statement of operations it shall be shown as aggregate write-ins for gain or loss in surplus. Failure to follow the above presentation shall immediately preclude a company from using this permitted practice.

The increase in admitted assets and statutory surplus resulting from the revised section shall not be considered in the definition of admitted assets and surplus for purposes of determining any regulatory trigger that involves admitted assets and /or statutory surplus including but not limited to the insurance holding company systems act, investment limitations and grounds for rehabilitation and liquidation.

If a company chooses to use this permitted practice it shall file with the Division a detailed description on how the DTAs are expected to be realized within the next three years and the company’s total adjusted capital and authorized control level risk based capital without using the permitted practice.

The company shall file with the Division a request for the permitted practice.