

NEWS RELEASE

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The Life Insurance Council Supports Legislation that Modernizes Reserving for Insurers in NYS

Principle-Based Reserving will ensure New Yorkers have access to more insurance products at more affordable rates

June 20, 2018 – The Life Insurance Council of New York (LICONY) supports legislation that passed both houses and would allow insurers doing business in New York to implement a principle-based reserving standard.

Principle-based reserving (PBR) uses modern formulas to ensure that reserves more closely align with risks. The new system would be governed by a Regulation to be written by the Department of Financial Services (DFS), using the provisions of a national standard as the basis and allows deviations deemed appropriate. This new system will provide regulators with tools to properly monitor a life insurer's reserve levels through annual reporting and data review.

"We commend the work of Insurance Committee chairs Senator James Seward and Assemblyman Kevin Cahill for their work in bringing Principle-Based Reserving to insurers in New York State," said Mary Griffin, President of the Life Insurance Council of New York. "This legislation will replace Civil War era reserving formulas that cause over-reserving and can add additional costs and also limit the selection of life insurance products that New York families rely on."

Other consumer protections in the bill authorize DFS to deviate from the national standard by regulation, if they determine that an alternative requirement would be in the best interest of the policyholders of this state.

Principle-Based Reserving was developed by the National Association of Insurance Commissioners (NAIC) and has already been adopted by 47 states. The NAIC has adopted revised accreditation standards to become effective Jan. 1, 2020, and this legislation will ensure New York State will not lose its NAIC accreditation by that deadline.

LICONY also appreciates the support DFS Superintendent Maria Vullo has given to the concept of PBR – voicing her intentions to adopt the standard soon after she was confirmed as superintendent in 2016.

LICONY urges the governor to sign the bill into law.