



Article from

## **Taxing Times**

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## TAXING TIMES: THE FIRST TEN YEARS

*By Brian G. King, Kristin Norberg, and members of the editorial board*

*May 2005 marked the inaugural issue of TAXING TIMES, the newsletter of the newly-formed Taxation Section of the Society of Actuaries. In the spring of 2015, we recognize this milestone with a trip down memory lane.*

**W**ith this 10th anniversary edition of *TAXING TIMES*, the editorial board thought it would be enjoyable for our readers to take a journey back through the past decade, revisiting many of the achievements *TAXING TIMES* has had over its relatively short lifespan, and recognizing the contributions of the volunteers who helped shape *TAXING TIMES* into a respected actuarial resource for life insurance tax practitioners.

**The Birth of a Newsletter...** The journey began back in 2004 with the creation of the Taxation Section. Having felt that insurance tax was an underserved segment within the Society of Actuaries section structure, the likes of Barbara Gold, Ed Robbins and Chris DesRochers started a movement to create a new section to serve the tax needs of our actuarial community. Under the leadership of Ed Robbins, the Taxation Section was born. One of the first orders of business was to create a newsletter to share insurance tax-related content with its members.

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## FACTS ABOUT THE FIRST EDITION OF TAXING TIMES

- Length of the newsletter: 20 pages
- Lead article: “*Evolution of the Mortality Requirements under Sections 7702 and 7702A of the Internal Revenue Code*,” by Christian DesRochers
- “Name the Newsletter” Contest: Gary Pauline was the winner, drawn from multiple entrants who came up with “*TAXING TIMES*”
- *TAXING TIMES* editorial staff:
  - Brian G. King, Editor
  - Christine Del Vaglio, Editorial Assistant
  - Editorial board members: Peter H. Winslow, Bruce D. Schobel and Ernie Achtien

**Varied Perspectives.** Life insurance company and policyholder tax issues typically require insight from multiple disciplines, not just actuarial. From the beginning, the Taxation Section was very intentionally a cross-disciplinary group, welcoming affiliate members from the legal and accounting professions along with SOA members. Many of these affiliates have been active participants and leaders in the objectives of the section, particularly in its goal to provide valuable and timely continuing professional education. The creators of *TAXING TIMES* made a commitment to seek input and involvement from attorneys, accountants, actuaries and other tax professionals in deciding on and developing the content for each issue. This has been a defining aspect of the section and the newsletter, and it crystallized in the development of interdisciplinary dialogues covering some of the most complex issues in the insurance tax space—principle-based reserves for life insurance and for variable annuities, developments in International Financial Reporting Standards (IFRS) on accounting for insurance contracts, the definition of the statutory cap on tax reserves, and, in this issue, the concept of deference to the National Association of Insurance Commissioners (NAIC) in developing and administering tax laws relating to insurance companies.

The newsletter was designed to have something for everyone—the dialogues provide several different perspectives while exploring dense issues; there are also longer research pieces related to emerging issues affecting our industry, and shorter “*TAXING TIMES* Tidbits” that may be of interest to a narrower audience. The goal has been to provide a balance between company and policyholder tax content, and to use the newsletter not only to keep our readers informed on emerging tax issues, but also to educate readers on more basic tax matters. In pursuit of these goals, *TAXING TIMES* has been constantly evolving and introducing new features (see details below).

From time to time, the editorial board has decided to produce special editions of *TAXING TIMES* in addition to our three scheduled issues each year. These *TAXING TIMES* Supplements provide additional flexibility for dealing with substantive tax topics that may not fit well within the normal production schedule. We have used them to accommodate longer research pieces dealing with particular tax rulings, as well as to provide sufficient attention to new or emerging issues that are of particular importance to life insurance companies.



## KEY DEVELOPMENTS IN THE HISTORY OF TAXING TIMES

- February 2007: The first of many interdisciplinary dialogues: “Actuary/Tax Attorney Dialogue on Selected Tax Issues in Principles-Based Reserves Subject to CRVM”
- February 2008: The “ACLI Update” column is introduced as a way to keep our readers informed on the tax-related activities and issues facing the ACLI
- May 2008: The first of a series of interviews with key participants in the insurance tax environment, Walter Welsh, ACLI
- September 2008: The first *TAXING TIMES* Supplement
- May 2009: A fresh new look as the newsletter entered its fifth year—also, the first issue to exceed 50 pages
- February 2013: The current record for the longest issue of *TAXING TIMES*, at 68 pages
- October 2013: Peter Winslow introduces a new column within “T3: *TAXING TIMES* Tidbits,” called “Subchapter L: Can You Believe It?” exploring the many quirks of life insurance taxation
- May 2014: “In the Beginning ... A Column Devoted to Tax Basics” is introduced as part of the section’s outreach to newer or younger members

### **Important Industry Role Played by *TAXING TIMES*.**

In its first decade of existence, the newsletter has become a critical part of life insurance tax discourse. One of our highlights for facilitating cooperation and understanding is the work of the 2001 CSO Maturity Age Task Force, published in *TAXING TIMES* in May 2006. This task force was formed by the SOA Taxation Section in response to the adoption of the first life insurance mortality tables extending beyond the “deemed” maturity ages of 95 to 100 built into IRC sections 7702 and 7702A. The task force developed and recommended a series of computational rules to establish an actuarially sound approach to compliance with the requirements of IRC sections 7702 and 7702A for contracts having actual maturity dates after age 100. Following our publication of the task force’s recommendations, the IRS and Treasury engaged with the proposed approaches, largely adopting them as a safe harbor in Rev. Proc. 2010-28 (and citing *TAXING TIMES* in the guidance itself!).

The editors of *TAXING TIMES* recognize that individuals in the government read our publication and rely on it as a source of information to assist in their analysis and understanding of complex insurance tax issues. As we stand on the verge of principle-based reserves (PBR) for life insurance products, we

### ***TAXING TIMES* SUPPLEMENTS**

- September 2008: “Fortuity, Or Not Fortuity? ... That Is The Question” (by Frederic J. Gelfond, on Rev. Rul. 2007-47 and the definition of insurance)
- February 2009: On Revenue Procedures 2008-38 to 2008-42 overhauling the remediation process for policyholder tax compliance issues (many contributors)
- February 2010: “Actuarial Guideline XLIII: Statutory and Tax Issues” (by Edward L. Robbins and Richard N. Bush, on newly adopted reserving requirements for variable annuities)
- May 2012: On what constitutes a “material change” to a life insurance contract and considerations for administering the various eras of product qualification rules (by John T. Adney and Craig R. Springfield, and Christian DesRochers and Brian G. King)
- October 2014: On the tax reform discussion draft issued by House Ways and Means Committee Chairman Dave Camp (R-MI) in February 2014 (lead article by Brion D. Graber and Peter H. Winslow, with many other contributors)

“During my tenure at both IRS and Treasury, each new issue of *TAXING TIMES* was read consistently and carefully. We never viewed any *TAXING TIMES* article as a “gotcha,” so much as a place to identify emerging issues and understand legitimate, competing arguments. The Age 100 Safe Harbor revenue procedure<sup>1</sup> had its genesis in the *TAXING TIMES* summary of the 2001 CSO Maturity Age Task Force recommendations in 2006.<sup>2</sup> In fact, that summary was called out not once, but twice, in the IRS Cumulative Bulletin. The quality of the thought pieces and stature of the contributors was very highly regarded.”

*Mark S. Smith, former attorney-advisor in the Treasury Department Office of Tax Policy, former chief of the Insurance Branch in the IRS Chief Counsel’s Office, and current editorial board member*

“As an original member of the *TAXING TIMES* Editorial Board, I am very proud of what we accomplished. In an amazingly short period of time, *TAXING TIMES* became the preeminent source for critical analysis and practical guidance on tax issues of concern to life insurance companies and their customers. It truly has been a team effort of the editorial board, SOA staff, volunteer authors and peer reviewers. But, one person’s vision and hard work is most responsible for launching, and then ensuring the quality of, *TAXING TIMES* during the formative years. Without the dedication of Brian King, I do not think *TAXING TIMES* would be what it is today. Thank you, Brian.”

*Peter H. Winslow, founding editorial board member and regular contributor*



can call again on the section and *TAXING TIMES* to educate and assist both our members and the government as they address the critical issues that arise from PBR.

**The Publication Process.** While we strive for timeliness with the production schedule, we are occasionally challenged to provide timely content to our readers. We have implemented a rigorous peer review process that all articles must go through, including approvals for every topic presented in each issue. From time to time, the discussions become somewhat spirited and the commentary is quite frank on whether a particular topic is appropriate for *TAXING TIMES* or whether an article is drafted to meet our quality standards from both a technical and a grammatical/stylistic perspective. Unfortunately, the rigor of our editorial process takes time, and taking into consideration the Society of Actuaries publication process as well, turning around timely content to our readers becomes challenging. Nonetheless, we are constantly challenging SOA staff on the importance of last-minute updates and needing to add post-production commentary to articles when critical guidance emerges in the midst of our production schedule that is of particular relevance to an article. Their willingness to work with the editorial team is very much appreciated, and we know we have tried their patience from time to time. Recognizing that the average page count of *TAXING TIMES* is well over twice the page count of the average SOA section newsletter (and for some issues, three to four times the average length), we know we have pushed the envelope, with page counts exceeding a newsletter’s capacity to properly fit into an envelope, having to use a lighter stock paper for larger issues so it will properly

staple, last-minute additions for emerging guidance after the issue has gone to layout, etc. We truly appreciate the help and support that Kathryn Baker, Jacque Kirkwood and their colleagues have provided over the years.

**Many Hands Make Light Work.** In addition to the SOA staff, there are many volunteers involved in the production of each newsletter, and the cast is continually changing as we seek to bring new individuals and perspectives to the conversation. We would like to recognize and thank those who have served on the Taxing Times editorial team during the first decade, including the following professionals (listed alphabetically):

Ernie Achtien  
John T. Adney  
Mary Elizabeth Caramagno  
Christian J. DesRochers  
Sheryl Flum  
Frederic J. Gelfond  
Brian G. King  
Samuel A. Mitchell  
Kristin Norberg  
Kory J. Olsen  
Arthur Schneider  
Bruce D. Schobel  
Mark S. Smith  
Gregory Stephenson  
Daniel Stringham  
Peter H. Winslow

Many of the editors have also been among our most prolific authors; we thank them and all of the other past and current contributors of the high-quality content of *TAXING TIMES*.

"I credit *TAXING TIMES* with helping me to understand the tax aspects of some complex actuarial concepts both when I was chief of the Insurance Branch at IRS and now. For example, the articles about AG 43 and earlier actuarial reserve methods for variable annuities were very helpful in crafting guidance (Notice 2010-29) and in understanding how company experience is an important criteria for setting reserves. The articles always explain technically dense issues in a way a non-actuary can comprehend without over-simplification. An amazing feat! I eagerly read every issue cover-to-cover and look forward to getting the next issue. Congratulations to the SOA Taxation Section for putting out such an impressive newsletter."

*Sheryl Flum, former chief of the Insurance Branch in the IRS Chief Counsel's Office, and current editorial board member*



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*Excerpt from the first “From the Chair” column, in the May 2005 issue of TAXING TIMES:*

“We need to nurture an environment where taxation is a major professional actuarial field and further an attractive career path for a young actuary. Knowledgeable tax actuaries who can work well with attorneys and accountants both inside and outside their organizations can enjoy rewarding careers. It is one of our primary mission objectives [as a nascent Taxation Section] to encourage the development of strong leaders in this field.”

*Edward L. Robbins, first chairperson of the Taxation Section Council, and frequent contributor to TAXING TIMES in the years since*

**Remembering those who helped pave the way.** We would be remiss if we did not acknowledge the passing of two of our dear friends who played important roles in the development of the newsletter. The *TAXING TIMES* family lost two of our own, Chris DesRochers in 2013 and Christine Del Vaglio in 2012. Chris and Christine were involved with *Taxing Times* from its start in 2005, helping shape the design, structure, content and editorial process for the newsletter. We are thankful for their contributions and miss them dearly.

**Into the Future.** Ten years into the life of *TAXING TIMES*, we stand at a potentially historic moment in the insurance tax world. Reserving approaches are being revolutionized to account for the complex nature of the underlying risks in today’s insurance products. Product developments, including hybrid products to meet the needs of an advancing and sophisticated population of Baby Boomers, present complications in fitting into the existing structure of both policyholder tax compliance and insurance company tax. Comprehensive tax reform is a real possibility, with discussion drafts of potential statutory language in circulation, and insurance provisions included in U.S. federal budget proposals each year. Globalization is a continuing force, with tax authorities aiming to maintain control and information flow through FATCA, BEPS, and similar endeavors. Meanwhile, many of the “old guard” of tax actuarial pioneers have retired or are nearing retirement, and we are reminded of Ed Robbins’ call to action as the first Chairperson of the Taxation Section Council (see quote), to foster and develop new leaders in the field to carry on this important work. It’s an exciting time to be a tax actuary, and we look forward to the next decade of *TAXING TIMES*! ◀

**END NOTES**

- <sup>1</sup> Note: The Court’s opinion was released on June 25, 2015, at 576 U.S. \_\_\_\_ (2015), ruling in favor of the government in administering subsidies to individuals who purchase insurance on federally-sponsored health exchanges in states that did not establish their own exchanges.