



## ACLI UPDATE

### SENATE FINANCE COMMITTEE STAFF EDUCATION SESSIONS

By Walter Welsh, Mandana Parsazad and Pete Bautz

**A**t the request of Senate Finance Committee staff, the American Council of Life Insurers (ACLI) and member companies collaborated in June, July and early August 2012, on a series of round table education sessions on life insurance products and companies.

The purpose of the sessions was to provide Congressional staff with a basic understanding of the types of products life insurance companies sell, how those companies conduct their business, and the tax rules that apply to companies. This education was intended to give some background for staff to consider legislative proposals impacting the life insurance industry and to provide appropriate information and support to senators and members of Congress.

Each session involved a specific topic, such as life insurance, annuities, regulation, etc. The tax rules for products were discussed in each of the sessions on products. The last session focused on company taxation. Representatives from ACLI member companies made the presentations in an informal setting designed to encourage questions and conversation.

Here is the list of sessions:

- June 1 – Life Insurance
- June 8 – Annuities
- June 22 – Disability Income Insurance
- June 29 – Long Term Care Insurance
- July 27 – Corporate Structure, Regulation, Accounting, Reserves, Capital and Risk Management
- August 3 – Company Taxation

If tax reform proceeds in 2013, these sessions will have provided valuable information to many Congressional staffers about the life insurance industry and the taxation of life insurance companies and products. ACLI continues to build on these sessions through follow-up meetings, as appropriate, with select members of Congress and their staffs.

#### UPDATE ON MEETINGS WITH TREASURY AND INTERNAL REVENUE SERVICE (“IRS”) ON PRINCIPLE-BASED RESERVES (“PBR”) AND OTHER INDUSTRY PRIORITIES.

On July 10, representatives of ACLI met with Treasury/IRS Chief Counsel attorneys for a discussion primarily on company-related guidance plan items (PBR, AG 43, deficiency reserves, life-nonlife consolidated returns). The principal focus of the meeting was a summary of the current parameters of PBR (and particularly, the net premium reserve) and an update on the status of PBR at the National Association of Insurance Commissioners. We referenced the benefits of the open and ongoing dialogue between industry and government pursuant to Notice 2008-18 that led to the interim guidance on AG-43 tax considerations in Notice 2010-29. We emphasized the importance of a similar dialogue with respect to, and the need for timely government feedback on, PBR tax considerations. Following the meeting, we provided the government with details regarding the similarities between current CRVM and the net premium reserve.

ACLI also met on Aug. 7 with IRS Chief Counsel Bill Wilkins to emphasize the need for the IRS to dedicate resources to the provision of guidance on many evolving industry matters, including PBR, the section 807 statutory reserve cap under AG 43 and the inclusion of deficiency reserves in the statutory reserve cap. We also noted the continuing need for modernization of the life-nonlife consolidated return rules. We complimented Mr. Wilkins for the Service’s cooperation and professionalism in handling the two industry issue resolution (IIR) projects impacting the insurance industry—the section 166 partial worthlessness IIR project and VA hedging IIR project.

Finally, on Sept. 18, ACLI met with Treasury Tax Legislative Counsel Lisa Zarlenga and Treasury Attorney-Advisors Lori Robbins and Krishna Vallabhaneni to provide an overview of industry priorities, including the need for tax guidance on

---

**Walter Welsh** is executive vice president, Taxes & Retirement Security at the ACLI in Washington, D.C. and may be reached at [walterwelsh@acll.com](mailto:walterwelsh@acll.com).

---

**Mandana Parsazad** is senior counsel, Taxes & Retirement Security at the ACLI in Washington, D.C. and may be reached at [mandanaparsazad@acll.com](mailto:mandanaparsazad@acll.com).

---

**Pete Bautz** is executive vice president, Taxes & Retirement Security at the ACLI in Washington, D.C. and may be reached at [petebautz@acll.com](mailto:petebautz@acll.com).

PBR, the statutory reserve cap under AG 43 and the inclusion of deficiency reserves in the statutory reserve cap. We also mentioned ACLI requests for revisions to the life-nonlife consolidated return regulations and guidance on combination annuity/qualified long-term care contracts. We thanked Treasury for its involvement in the VA hedging IIR project.

#### FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

On Oct. 24, Treasury and IRS released Announcement 2012-42 which delayed the dates for compliance by withholding agents and foreign financial institutions (FFIs) generally from January 2013, or July 2013 to January 2014. These delays synchronize the dates for compliance for FFIs set in the proposed regulations with dates in the model Intergovernmental Agreements. It also provides additional time for:

- Completing Foreign Financial Institution (FFI) Agreements,
- Conducting due diligence with respect to pre-existing and new accounts, and
- Reporting with respect to recalcitrant accounts.

The ACLI welcomes the opportunity this delay provides for the industry to continue its constructive dialogue with the government particularly as it concerns the proposed rules' treatment of cash value life insurance and annuity contracts with values of \$50,000 and less, and the treatment of beneficiaries of cash value life insurance and annuity contracts as owners of such contracts. Final regulations are expected by end of 2012 or beginning of 2013.

ACLI will update *TAXING TIMES* readers as events unfold. ◀

