Session 16PD: Company Tax Update

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2017 Valuation Actuary Symposium

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Agenda

• Status of Tax Reform in 2017
• Life Company PBR – Tax Update
• 807(f) – FAA 20165101F
• 5 year discount rate recalculation election
• Priority guidance plan
• Other items for consideration
• Questions?
Status of Tax Reform in 2017
Tax reform – The state of play

• For the first time since 2006, the Republican Party (GOP) controls the House, Senate, and White House simultaneously.

• Speaker of the House Paul Ryan was a driving force behind the development of the House GOP “Blueprint on Tax Reform” released in June 2016

• Donald Trump’s campaign tax plan borrowed heavily from the Blueprint’s concepts

• On April 26, 2017, the Trump Administration released its principles for tax reform which, although very high level, largely echo the Trump campaign plan.

Dates to keep in mind – full legislative agenda

• Gov’t funding extended – April 29th, 2017
• Administration’s full budget – May 23, 2017
• Summer recess – July 31, 2017 (Currently delayed until 3rd week of August)
• Gov’t funding expires – September 30th, 2017
• New fiscal year – October 1, 2017
• Target recess – December 15th, 2017
• Mid-term elections – November 6, 2018
Tax reform – Observations

• The House GOP Blueprint (released June 24, 2016) is still the likely starting point for tax reform
• The Blueprint would make a number of dramatic changes to the tax code, largely pushing the tax system closer to a consumption-based tax
• Many of the Blueprint policy choices are intended to encourage GDP growth
• The Blueprint is designed, in theory, to be revenue neutral—that necessarily involves revenue trade-offs that create the possibility of winners and losers
• Failure to achieve revenue neutrality could undercut prospects for passage of the Blueprint
• Achieving passage in the Senate will be a complex task—for both procedural and political reasons
• Healthcare reconciliation legislation – ‘repeal only’ option via budget reconciliation bill?
Possible process for action on tax reform

**The House**
- Ways and Means releases tax reform draft
- Ways and Means chairman releases chairman’s mark and/or modified mark
- Ways and Means “marks up” tax reform bill, including amendments
- Full House of Representatives passes bill approved by Ways and Means (further amendments unlikely)
- House bill sent to Senate

**The Senate**
- Senate Finance releases mark (could be similar to or different from House bill)
- Senate Finance chairman releases modified mark
- Senate Finance “marks up” its own tax reform bill, including amendments
- Full Senate considers bill approved by Senate Finance (further amendments possible)
- If bill achieves 60 votes, then to conference with the House
- Alternatively, “budget reconciliation” vehicle to achieve Senate approval
- Senate considers policy changes to conform with Budget Reconciliation rules

**Conference**
- House and Senate call for conference to reconcile differences between the two versions of the bill
- House and Senate Republicans and Democrats appoint conferees to negotiate conference report
- If conferees resolve their differences, the negotiated Conference Report sent back to House and Senate for approval
- No amendments to Conference Report permitted
- Senate may achieve 60 votes or 51 (via Reconciliation) for passage

**Signature**
- Conference report sent to President for signature, veto, or nonaction
- Treasury and Internal Revenue Service begin process of implementing the new law
## Key Proposals – Business

<table>
<thead>
<tr>
<th></th>
<th>President Trump (April 26, 2017)</th>
<th>House blueprint</th>
<th>Camp bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate rate</td>
<td>15%</td>
<td>20%</td>
<td>Reduce to 25% (over several years)</td>
</tr>
<tr>
<td><strong>Individual owners of passthroughs and proprietorships</strong></td>
<td>15% rate, possibly limited to “small” and “medium” passthrough businesses (with unspecified anti-abuse rules)</td>
<td>“Active business income” of owners of passthrough entities capped at 25% ordinary income rate. Backstopped by “reasonable compensation” requirement for owner-operators</td>
<td>Qualified domestic manufacturing generally taxed at no higher than 25%. Owners who materially participate treat 70% of combined compensation and distributive share as subject to employment taxes. Other changes to Sub K.</td>
</tr>
<tr>
<td>Carried interest</td>
<td>Not mentioned</td>
<td>Not clear</td>
<td>Special rules</td>
</tr>
<tr>
<td>Cost recovery</td>
<td>Not mentioned</td>
<td>Full and immediate expensing for investments in tangible property and intangible assets, but not land</td>
<td>Replace MACRS with system that lengthens recovery lives and indexes depreciable basis for inflation. Extend amortization period for acquired Code section 197 intangibles. Caps on expensing. Other.</td>
</tr>
<tr>
<td>Interest expense</td>
<td>Not mentioned</td>
<td>Net interest expense not deductible but carried forward indefinitely—with unspecified special rules for financial services companies</td>
<td>No broad rule, but limits amount of deductible interest expense that could apply to a U.S. corporation shareholder with one or more foreign corporations in some cases</td>
</tr>
</tbody>
</table>
## Key Proposals – Business (cont’d)

<table>
<thead>
<tr>
<th></th>
<th>President Trump (April 26, 2017)</th>
<th>House blueprint</th>
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</thead>
<tbody>
<tr>
<td><strong>NOLs</strong></td>
<td>Not mentioned</td>
<td>Carry forward indefinitely and indexed for inflation, but no carry back. Carryforwards limited to 90% of the net taxable amount for the year</td>
<td>Limit deduction to 90% of taxable income. Repeal some special NOL carryback provisions as well as limitation on the carryback of excess interest losses attributable to CERTs</td>
</tr>
<tr>
<td><strong>Corporate AMT</strong></td>
<td>Not clear</td>
<td>Repeal</td>
<td>Repeal (with unused AMT credits refundable over several years)</td>
</tr>
<tr>
<td><strong>Research credit</strong></td>
<td>Not mentioned</td>
<td>Keep, with unspecified modifications</td>
<td>Keep, with modifications</td>
</tr>
<tr>
<td><strong>Last in, first out (LIFO)</strong></td>
<td>Not mentioned</td>
<td>Superseded by expensing of non-imported inventory</td>
<td>Repeal</td>
</tr>
<tr>
<td><strong>Selected revenue raisers</strong></td>
<td>Eliminate unspecified tax breaks for “special interests”</td>
<td>Eliminate various unspecified “special interest” deductions and credits, including section 199 (but not R&amp;D credit)</td>
<td>Numerous raisers specified</td>
</tr>
</tbody>
</table>
# Key Proposals - International

<table>
<thead>
<tr>
<th>Destination based cash flow system, with border adjustments</th>
<th>President Trump (April 26, 2017)</th>
<th>House blueprint</th>
<th>Camp bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not mentioned in one-page summary document</td>
<td>Move towards a destination-based tax system, with border adjustments</td>
<td>Not included</td>
<td></td>
</tr>
</tbody>
</table>

| Territorial system | Move to territorial system. No details. | Territorial tax system, with 100% exemption for dividends received from foreign subsidiaries. Repeal most of current subpart F regime, but retain foreign personal holding company rules for passive foreign income. | U.S. corporate shareholder gets 95% deduction for foreign sourced portion of dividends received from certain foreign subsidiaries. Complex provisions to prevent offshore shifting of profits. Minimum tax of 15% on CFC’s foreign earnings. Modify active financing exception |

| Repatriation of existing earnings and profits (E&P) | Foreign earnings accumulated under old system taxed; rate determined in consultation with Congress | Foreign earnings accumulated under old system repatriated by paying tax of 8.75% to the extent held in cash or cash equivalents or 3.5% otherwise (payable in installments over 8 years) | Foreign earnings accumulated under old system repatriated by paying tax of 8.75% to the extent held in cash or cash equivalents or 3.5% otherwise (payable in installments over 8 years) |
Discussion of High Level Potential Impacts

Conditions in Washington make it possible that 2017 could bring significant changes to how U.S. domiciled insurance companies will be taxed.

Summary of Business Tax Proposals under Trump’s Plan as of 4-26:

• 15% corporate rate (currently 35%)
  - Move from a worldwide to a territorial tax system
  - Impose a one-time tax on existing overseas profits
  - Eliminate tax breaks for “special interests”
Discussion of High Level Potential Impacts

Summary of Business Tax Proposals under House Blueprint:

- **Cash Flow Tax**
  - Replace depreciation and amortization with expensing
  - Eliminate the deduction for net interest expense
    - Provides for an indefinite carryforward for disallowed deductions
    - Purpose is to provide equal treatment for interest and dividends to reduce the tax incentive to favor debt funding
    - Results in a permanent disallowance that impacts GAAP financial statements and effective tax rates

- **Eliminate tax breaks for special interests**
  - Section 199 repealed
  - R&D credit remains available
Possible impacts to the insurance and reinsurance industries

<table>
<thead>
<tr>
<th>Life Insurance</th>
<th>Property and casualty</th>
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<tbody>
<tr>
<td><strong>Corporate tax impacts</strong></td>
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</tr>
<tr>
<td>— Elimination of ordinary loss deduction carrybacks and extension of carryforwards impacts SSAP 101 admitted tax asset calculation.</td>
<td>— Elimination of NOL carrybacks and extension of carryforwards impacts SSAP 101 admitted asset calculation.</td>
</tr>
<tr>
<td><strong>Product tax impacts</strong></td>
<td><strong>Camp’s proposed revenue raisers</strong></td>
</tr>
<tr>
<td>— Changes in individual, corporate and estate tax rates may impact life insurer’s product mix.</td>
<td>— Increase discounting rates for unpaid losses</td>
</tr>
<tr>
<td><strong>Camp’s proposed revenue raisers</strong></td>
<td>— New proration formula for tax-exempt interest and dividends-received deduction</td>
</tr>
<tr>
<td>— Increase interest rate for reserve calculation.</td>
<td>— Increase capitalization rates for certain policy acquisition expenses (DAC).</td>
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<td>— Changes in proration rules for company’s dividends received deduction.</td>
</tr>
<tr>
<td>— Changes in proration rules for company’s dividends received deduction.</td>
<td>— Repeal of Section 807(f) 10-year amortization period for life insurance reserves changes.</td>
</tr>
<tr>
<td>— Potentially favorable tax hedging change by providing that debt held by an insurance company will be treated as ordinary property.</td>
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</tr>
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### International Insurance

**Corporate tax impacts**
- Border adjustments could impact cross-border insurance and reinsurance transactions.
- Mandatory deemed repatriation will create additional U.S. tax expense.
- Proposed territorial system would eliminate U.S. tax on foreign earnings, but not clear how antidefferral regime with respect to foreign personal holding company income would apply to insurance companies.

**Camp’s proposed revenue raisers**
- Disallow deduction for P&C reinsurance premiums paid to a related company that is not subject to U.S. tax.
- Change in insurance exception to PFIC status of foreign corporations
- Proposed change in tax rate threshold that must be met in order for the high tax exception to subpart F income to apply

### Other enterprise and operational considerations

- Corporate tax should consider tax planning to accelerate temporary book-tax differences so as to benefit from the current higher tax rate.
- Possible impact to regulatory capital as a result of revaluing deferred taxes and elimination of NOL carryback.
- Effect of proposed disallowance of net interest expense deduction will depend on group v. separate entity application as well as treatment of investment portfolio supporting reserves.
- Increase tax information reporting burden on U.S. withholding agents.
Action steps

• Read the Blueprint and apply company facts to the Blueprint
• Consider where the Blueprint lacks sufficient detail to determine application.
• Develop a high-level economic model of effect on the company’s tax position and business results
• Consider planning opportunities in advance of reform enactment.
• Identify allies (trade association, industry, etc.).
• Consider advocacy priorities and reasonable legislative options (carve-outs, transition rules).
• Consider post-enactment planning (supply chain, IP migration, etc.).
Life PBR-Company Tax Update
Current status

- 46 states have adopted PBR representing >75 percent of written premium
  - The NAIC has determined that the versions adopted by the states are substantially similar
  - PBR effective 1/1/17 with three year option to grade-in
  - NY has indicated that they will adopt PBR effective in 2018

- NAIC pilot is in progress to get feedback on process
  - 12 companies, nine states
  - Calculating VM-20 calculations as of 12/31/2015
  - VM-20 supplement and VM-31 actuarial reported to state of domicile by 8/19/16

- Amendment forms on NPR, aggregation, reporting, and DR exclusion test are being considered
Implementation of Principle-Based Reserving
Revised Standard Nonforfeiture Law for Life
Insurance (Model #808) Revised Standard
Valuation Law (Model #820)
[status as of January 31, 2017]

Adopted #808 and #820
(46: AL, AR, AZ, CA, CO, CT, DE,
FL, GA, HI, ID, IL, IN, IA, KS, KY,
LA, MD, ME, MI, MN, MO, MS, MT,
NC, ND, NE, NH, NJ, NM, NV, OH,
OK, OR, PA, RI, SC, SD, TN, TX,
UT, VA, VT, WA, WI, WV)

Action under
consideration
(2: MA, WY)

No action to date

This map represents state action or pending state action regarding NAIC amendments to the model(s). This map does not reflect a determination as to whether the pending or enacted legislation contains all elements of NAIC amendments to the model(s) or whether a state meets any applicable accreditation standards.
Life PBR Tax Considerations:
Overview

• Life PBR represents at least as great a change for tax reserves as it does for statutory reserves.

• Unlike the NAIC, the IRS must administer a Federal statute – the Internal Revenue Code – which uses statutory accounting as a starting point but did not contemplate the mechanics of Life PBR

• IRS has provided life insurance product guidance under Life PBR, and promises additional guidance on reserves
Life PBR Tax Considerations: Prior IRS Guidance

• Notice 2008-18
  • Issued by IRS in Feb. 2008, when PBR was still in development stages for both life and annuities
  • Identified areas in which Treasury and IRS had concerns
  • Requested comments

• Notice 2010-29
  • Issued by IRS in March 2010, shortly after AG 43 became effective
  • Defined a safe harbor for variable annuity contracts issued on or after 12/31/2009
  • “No inference should be drawn from this notice” on any other federal tax issues, including those arising from Life PBR
  • Highly controversial and a candidate for change
Life PBR Tax Considerations: Three Broad Areas of Concern

• Policyholder Tax Compliance
• Reserve Transition Rules
• Substantive Reserve Rules
Policyholder Tax Compliance: Internal Revenue Code

• Section 7702: Qualification as a life insurance contract
  • Contract must be a life insurance contract under the applicable law
  • Contract must either:
    • Meet the cash value accumulation test, or
    • Meet the guideline premium requirements AND fall within cash value corridor
  • Actuarial tests are based on “reasonable mortality charges” that meet requirements of regulations and that, except as provided in regulations, do not exceed the prevailing commissioners’ standard tables as of the time the contract is issued
Policyholder Tax Compliance: Notice 2016-63 (November 7, 2016)

• Issues Addressed
  • 2017 CSO tables as the prevailing tables
  • Optional three-year transition period
  • Accommodation of routine, non-tax motivated changes that are pursuant to policyholder expectations
    • Changes in death benefit
    • Reconsideration of ratings (smokers who stop smoking)
    • Reinstatements
    • Addition of qualified additional benefits, change in death benefit option, addition/removal of rider
Reserve Transition Rules: Internal Revenue Code

- Section 807(d) provides rules for determining life insurance reserves for any contract
  - Greater of net surrender value or Federally prescribed reserve
  - In no event greater than “amount which would be taken into account with respect to such contract... in determining statutory reserves”
- Federally prescribed reserve (FPR)
  - Method – CRVM prescribed by the NAIC which is in effect on the date of the issuance of the contract (for a contract covered by the CRVM)
Reserve Transition Rules: Valuation Manual

• Generally, Life PBR is effective for contracts issued on or after 1/1/2017 – but there are exceptions
  • Initial three-year transition period
    • Companies may elect to use existing requirements for business issued in first three years after operative date
  • Small-company exemption permits companies to use existing requirements if they meet defined criteria
  • Single-state exemption available in many states, with permission from commissioner
  • Not all states adopted PBR as of 1/1/2017
Reserve Transition Rules: Discussion of Issues

- IRS policy not to provide “retroactive” guidance (January 2017, ABA Taxation Section Insurance Companies Committee, Helen Hubbard)

- If a company defers implementation or is exempt from Life PBR, when (if at all) must it implement Life PBR for purposes of computing the FPR?

- If a company is not subject to Life PBR because it operates only in states that have not enacted the current SVL, when (if at all) must it implement Life PBR for purposes of computing the FPR?

- Different structure for effective date and transition rules in Life PBR vs. AG 43
Substantive Reserve Issues: Internal Revenue Code

• Section 807(d)
  • Prescribes a Federally-prescribed reserve (FPR), bounded by a cap (stat reserves) and a floor (NSV).
  • Comparison is made contract-by-contract

• Requirements for FPR
  • Method – CRVM prescribed by the NAIC which is in effect on the date of the issuance of the contract (for a contract covered by the CRVM)
  • Interest rate – greater of applicable Federal interest rate or prevailing State assumed interest rate as of beginning of year in which contract was issued
  • Mortality tables – prevailing commissioners’ standard tables (adjusted as appropriate) when the contract was issued
Substantive Reserve Issues: Interim Guidance under AG 43

- Notice 2010-29
  - Provided interim safe harbor guidance on AG 43
  - Permitted SSA as the FPR, adjusted for mortality and interest requirements under section 807(d)
  - Did not permit stochastic reserve (CTE excess) to be included in FPR (safe harbor)
  - Provided no guidance on treatment of CTE excess under AG 43 in statutory cap
Substantive Reserve Issues: Life PBR Reserve Components

- Net Premium Reserve
  - Prevailing interest rate - prescribed
  - Prevailing mortality tables - 2017 CSO tables
  - Consideration of lapses
  - Potential unlocking of mortality and lapse assumptions

Deterministic Reserve
- Gross premium reserve methodology
- Company-specific assumptions
- Consideration of expenses
- Prudent estimate assumptions
- Aggregate versus contract-by-contract determination
Substantive Reserve Issues:
Life PBR Reserve Components (cont’d)

• Stochastic Reserve
  • Aggregate versus contract-by-contract
  • Cash flow modeling, CTE 70 methodology
  • Ability to audit
Life PBR Guidance: Why the IRS Can’t Fail

• Priority Guidance Plan
• LB&I (Large Business & International) “Campaign”
• Industry Issue Resolution
  • Coalition of Companies
  • ACLI

• For IRS, the stakes could not be higher
Life PBR Guidance: Industry Issue Resolution (IIR)

- August, 2016 request for IIR
- February 7, 2017 Opening Meeting
- February 17, 2017, IRS request for information
- History of successful IIR projects for insurance
- Next steps?
Life PBR Tax Issues: What are companies doing now?

• Collaboration between actuarial and tax function
• Choice of implementation date
• Decisions about positions that will be taken on uncertain tax issues
  • Quantify the effect of those issues?
• Systems requirements to implement tax positions
807(f) – FAA 20165101F
Adjustments to life insurance reserves determined as change in basis

• An IRS field attorney advice memorandum released on December 16, 2016 concludes that an increase in a life insurance company’s tax reserves for an annuity rider due to a change in the statutory reserve, which eliminated the effect of the statutory cap, is a change in basis in computing reserves subject to section 807(f) and therefore subject to the 10-year spread.

• The FAA will likely cause companies to consider whether particular changes in the computation of reserves are changes in basis, and what additional facts might be relevant to that determination.
Adjustments to life insurance reserves determined as change in basis cont’d

Facts:

• Taxpayer is the parent of a life-nonlife consolidated group that includes two life insurance companies

• The life insurance company subsidiary of the parent started marketing a rider to specified annuities

• In performing statutory reserve valuations for the first three years, the company understated its statutory reserve liability. During these years, the understated statutory reserve served as a cap on the amount of the tax reserves

• The understated statutory reserves were subsequently corrected in Year 4, with the company reporting an increase in statutory reserves at the beginning of that year due to a change in computing the understated reserve at the end of year three

• The corrected (and higher) statutory reserves no longer capped the tax reserves
Adjustments to life insurance reserves determined as change in basis cont’d

Analysis

• The taxpayer argued that the increase to the tax reserves as a result of the elimination of the statutory cap was not subject to section 807(f) because there was no change in year four to the computation of the FPR under section 807(d)

• The IRS argued and the FAA concluded that both the method for computing the federally-prescribed reserve and the method for computing statutory reserves are components of the accounting method for reserves
  • Therefore, changes to either method would constitute a change in basis under section 807(f)
  • Accordingly, in view of the IRS, the change in statutory reserves in Year 4 was a change in basis subject to section 807(f), and the adjustment resulting from that change is required to be recognized ratably over 10 years
Adjustments to life insurance reserves determined as change in basis cont’d

Issues for Consideration

• Does it matter whether a change in the basis of computing statutory reserves is accompanied by a change in the basis of computing the federally-prescribed reserve?

• Will the IRS raise this particular issue more broadly?

• It is unclear whether the IRS’s position that section 807(f) applies to the statutory reserve computation is an appropriate interpretation of 807(f).
Election to Recompute Tax Valuation Interest Rate Every 5 Years
Federally-prescribed reserve: Election to recompute interest rate

• In general, Federally-prescribed reserve is computed using (i) the tax reserve method (CRVM or CARVM), (ii) greater of Applicable Federal Interest Rate (AFR) or prevailing state assumed rate (PSAIR), and (iii) prevailing commissioners standard mortality tables.

• Interest rate is generally determined for the calendar year in which the contract is issued.

• Companies may elect under section 807(d)(4) to recompute the AFR with respect to a contract every five years. Election applies to all contracts issued during the calendar year for which the election is made or during any subsequent year unless the election is revoked with IRS consent.
Federally-prescribed reserve: Election to recompute interest rate

• Two recent private letter rulings draw attention to the election and, in particular, explain terms and conditions the IRS will apply if a taxpayer wishes to revoke the election

• PLR 201640008 and 201645010 both involved life insurance companies that had previously elected under section 807(d)(4)(A) to recompute the AFR every 5 years with regard to contracts they issued
Federally-prescribed reserve: Election to recompute interest rate

- The PLRs are similar in several respects
  - Interest rate election had been in place for several years
  - Companies requested permission to discontinue, or revoke, the election
  - Companies represent they would not re-elect for at least 10 years
  - Revocations were effective “with respect to contracts with respect to which there had not yet been a recomputation …”
  - Under both the Code and the facts of each case, no section 807(f) adjustments
Federally-prescribed reserve: Election to recompute interest rate

- Historically few companies have made the election
  - Many questions remain unanswered concerning terms and conditions for making new election
  - Decision to make the election depends in part on existing tax profile, matching of earnings on assets and liabilities, and interest rate outlook
- Those companies that have made the election now have a clearer sense what terms and conditions IRS will impose on a revocation
  - Are the terms and conditions in PLR 201645010 and 201640008 exclusive?
  - How does one reevaluate an existing tax election?
2016 - 2017 Priority Guidance Plan
Overview

• The 2016 – 2017 PGP was released on 8/15/2016
• The IRS released Notice 2017-28 on 4/21/2017 requesting public comment on what guidance projects to pursue in the 2017-2018 plan
• Items related to life insurance companies and products:
  • Final regulations under section 72 on the exchange of property for an annuity contract (*proposed regulations were published on 11/20/2006*)
  • Regulations under sections 72 and 7702 defining cash surrender value (*proposed regulations were published on 12/15/1992*)
  • Guidance on annuity contracts with a long-term care insurance rider under sections 72 and 7702B (*relates to provisions added to the Code in the PPA of 2006*)
  • Guidance under sections 807 and 816 regarding the determination of life insurance reserves for life insurance and annuity contracts using principles-based methodologies, including stochastic reserves based on conditional tail expectation (*added originally to provide guidance for principles based reserve for life insurance*)
  • Guidance on exchanges under section 1035 of annuities for long-term care insurance contracts (*added originally in 2011-2012 PGP*)
  • Guidance relating to captive insurance companies (*guidance has been subsequently issued on 831(b) micro-captives in Notice 2016-66*)
Regulatory Freeze

- On 1/20/2017 the President’s Chief of Staff issued a memorandum to all agencies directing the following:
  - Pull back any regulations that had been sent to, but not yet published by, the Office of the Federal Register;
  - Not publish any new regulations unless approved by an Administration political appointee; and;
  - Delay the effective date of any pending regulations for 60 days to provide the Administration time to review and reconsider those regulations
Executive Order 13771 – “2-for-1”

• On 1/30/2017 the President signed Executive Order 13771, “Reducing Regulation and Controlling Regulatory Costs.”
  • EO 13771 requires federal agencies to eliminate at least two existing regulations for each new regulation they issue
  • Clarified by an OMB memorandum to be applicable only to regulations that were defined as ‘significant’ under EO 12866
    • EO 12866 defines “significant regulatory action” to include regulations that have an annual economic effect of $100 million or more or adversely effect in a material way the economy, a sector of the economy, productivity, completion or jobs
Executive Order 13789 – Identifying and Reducing Tax Regulatory Burdens

- On 4/21/2017, the President signed EO 13789, “Identifying and Reducing Tax Regulatory Burdens.”
  - EO 13789 institutes an immediate review of “all significant tax regulations” since the beginning of 2016 and requires Treasury to provide an interim report on its findings within 60 days which will identify regulations that “impose an undue burden” on taxpayers and “add undue complexity” to the tax laws or “exceed the statutory authority of the IRS”
  - Clarified by an OMB memorandum to be applicable only to regulations that were defined as ‘significant’ under EO 12866
    - EO 12866 defines “significant regulatory action” to include regulations that have an annual economic effect of $100 million or more or adversely effect in a material way the economy, a sector of the economy, productivity, completion or jobs
  - EO 13789 requests that Treasury submit within 150 days a report recommending specific actions to lessen the burden of the regulations identified in the interim report
Additional Items to Consider

• Given the regulatory freeze and executive orders, what is the status of the planned regulatory efforts in the 2016-2017 PGP?

• In light of the current environment, has consideration been given as to whether any of the projects impacting life insurance companies and their products will be eliminated or otherwise revised when the 2017-2018 PGP is released?
• Other Items for Consideration
• Questions?
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