



MEMORANDUM

TO: DELAWARE DOMESTIC COMPANIES

FROM: KAREN WELDIN STEWART, CIR-ML  
INSURANCE COMMISSIONER  
DELAWARE DEPARTMENT OF INSURANCE

DATE: FEBRUARY 11, 2009

RE: PERMITTED PRACTICE REQUESTS

FOR QUESTIONS REGARDING APPLICATIONS FOR PERMITTED PRACTICES PLEASE EMAIL:  
linda.sizemore@state.de.us

The purpose of this notice is to advise companies of the Department's procedures and guidelines respecting applications for permitted statutory accounting practices.

Over the past several months, and in light of current national and global economic challenges, state insurance commissioners have considered insurance industry requests for capital and surplus relief, including treatment of deferred tax assets. Requests also include proposed changes to reserving, risk-based capital, reinsurance collateral and accounting requirements. The National Association of Insurance Commissioners' Capital and Surplus Relief Working Group carefully evaluated each of nine proposed changes and provided expertise that has supplemented the Department's internal analysis.

The Department recognizes and appreciates the Working Group's recommendations. The Department also recognizes the need to consider each company's particular financial circumstances. Further, the Department recognizes the importance of reviewing and evaluating statutory accounting standards as part of ongoing and effective consumer-focused regulatory modernization efforts.

Consistent with the NAIC Accounting Practices and Procedures Manual, historical practice and the protection of consumers' financial interests, the Department will accept and evaluate individual company applications for variances from statutory accounting practices. This consideration will be based on the specific applicant's substantive explanation in support of the requested practice and the consumer impact of the variance, if approved. Surplus benefits derived from permitted practices approved by the Department must be reported as segregated surplus.

It is my intent that any financial relief or income benefits experienced by the granting of a permitted practice will not be used for executive bonuses or supplemental salary compensation whether such compensation is in cash or some other form or value, nor will such relief or benefits be used for stockholder dividends. The use of any financial relief that is contrary to my stated intent will make a granted permitted practice subject to withdrawal and result in the restatement of any financial statement that reflects a permitted practice.

Questions on this bulletin should be directed to Linda Sizemore, Chief Examiner, Department of Insurance.