

**SENT VIA EMAIL:** [Senator.Mia.Costello@akleg.gov](mailto:Senator.Mia.Costello@akleg.gov)

April 16, 2018

Honorable Mia Costello, Chair  
Honorable Members of the Senator Labor and Commerce Committee  
Alaska Legislature

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**RE: [HB 401B](#)—Credit for Reinsurance; Standard Valuation Law (Principle-Based Reserves)**

Dear Chair Costello and Members of the Committee:

I am writing on behalf of State Farm Mutual Automobile Insurance Company and State Farm Life Insurance Company (State Farm) in support of [HB 401B](#). To maintain accreditation, the National Association of Insurance Commissioners (NAIC) requires its member states to enact the Credit for Reinsurance and Standard Valuation Law by January 1, 2019 and January 1, 2020, respectively.

In recent years, the NAIC *Credit for Reinsurance Model Law* has been revised. House Bill 401 brings Alaska up-to-date by repealing and reenacting portions of Alaska's existing statutes governing credit for reinsurance. This will make them consistent with the current Model Act, which modernizes reinsurance regulation. House Bill 401 spells out how the Insurance Division should allow an insurer to take credit for reinsurance in its financial statements as either an asset or a reduction from liability.

House Bill 401 also amends Alaska's law to be consistent with the NAIC *Standard Valuation Law*. Life insurers set aside capital (reserves) to pay future expected claims. Insurance regulators closely monitor reserves to ensure companies are adequately protecting their policyholders' interests. In 2017, a new system—principle based reserves (PBR), which ensures that reserves match the actual risk being assumed by an insurer—was enacted in nearly every state. State legislatures accomplished this by enacting both the *Standard Valuation Model Law*, which was approved by the NAIC in 2009, and the revisions that were made to the NAIC *Standard Non Forfeiture Law* in 2012. House Bill 401 includes the necessary revisions to both laws that are needed to implement PBR in Alaska.

State Farm respectfully requests your support quick regarding [HB 401B](#). Thank you for considering these comments. Please let me know if you have any questions.

Sincerely,



Robert R. Nash, Counsel

cc: Members of the House Committee on Labor and Commerce (via email)  
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