

BULLETIN 355

Permitted Accounting Practices

Pursuant to 24-A M.R.S.A. § 901-A(1), the admissibility of assets and the valuation of assets and liabilities for all insurers doing business in Maine are governed strictly by the NAIC *Accounting Practices and Procedures Manual* and *Valuation of Securities Manual*, unless additional or alternative accounting practices are permitted by the Superintendent of Insurance at the request of the insurer.

The current reporting period has witnessed an unprecedented volume of permitted practice requests. Many are motivated, or appear to be motivated, by a desire to mitigate the impact of the current financial crisis on insurers' investment performance. Especially in times like these, however, it is essential for an insurer's financial statement to give meaningful information on how well the insurer has withstood the stresses that all businesses and consumers have had to endure. The states adopted uniform statutory insurance accounting practices in order to establish a level playing field, based on clear and consistent financial reporting according to methods that have been determined to provide the most accurate portrayal of an insurer's financial condition.

Although a certain degree of flexibility is built into the system through the permitted practice process, these variances from standard codified accounting practices are intended to be used only in exceptional cases where there is some unique circumstance that is not addressed by the NAIC manuals or makes them inappropriate to apply literally in all regards. The effects of the recent slides in the financial markets are widely shared, not unique, and the NAIC has determined that they do not justify changes in the accounting manuals.

Accordingly, special accounting practices approved in a Maine-licensed insurer's home state will not be automatically approved for use in Maine. The insurer's financial statement is required to include a reconciliation to codified statutory accounting practices, and Maine will follow those common standards in evaluating the insurer's assets, liabilities, and surplus requirements unless the insurer can demonstrate with particularity why an exception should be made, consistent with the same standards used for granting permitted practices in exceptional cases in prior years.

March 3, 2009

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Superintendent of Insurance

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encouraged to consult applicable statutes and regulations and to contact the Bureau of Insurance if additional information is needed.