

**Actuarial Guideline for GICs**

The Life and Health Actuarial Task Force (LHATF) held a conference call on May 27, 2003 to discuss the proposed Actuarial Guideline for GICs. The participants included regulators from various states and interested parties from the life insurance industry.

Items discussed were:

1. The current actuarial guideline for GICs has been discussed for over a year. Under the current proposed AG, the valuation actuary may use valuation interest rate higher than Type C rate for contracts with contractual provisions that allows the insurance company to pay its contractual obligations other than book value.
2. LHATF received several comments. The first comment suggests that Type A rate should be the upper limit on the valuation interest rate.
3. LHATF proposed to add clarifications to the actuarial guideline. The recommended language is "In no event may the valuation interest rate be greater than that applicable to similar contract with no put or bail-out provisions."
4. The second comment suggests that accumulation value should be used as statutory reserve for contract with credited rates tie to floating rates such as LIBOR. LHATF stated that this proposed actuarial guideline is not intended to provide a reserve methodology for interest-indexed GICs. Thus, the recommendation of using accumulation value as statutory reserve for interest-indexed GIC is beyond the scope of this actuarial guideline.
5. The actuarial guideline was adopted without objection from regulators or interested parties.

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