

Proposed Actuarial Guideline VA CARVM

The Life and Health Actuarial Task Force (LHATF) held a conference call on July 22, 2004 to discuss the proposed Actuarial Guideline VACARVM (AG CARVM). Prior to the conference call, LHATF sent out comment letters that it received regarding the June 2004 version of the draft AG VACARVM. Participants of the conference call include insurance regulators from various states, insurance companies, American Council of Life Insurers (ACLI), and other interested parties.

Ms. Leslie Jones of South Carolina was the leader of the conference call. Minutes of the conference call are:

1. The working groups of the American Academy of Actuaries provided an update on the work that they had done since the June 2004 NAIC meeting.
 - RBC Working Group will provide an updated version of the proposed regulation for RBC.
 - Variable Annuity Working Group (VARWG) will continue to (a) analyze the potential impacts of the proposed methodology, (b) work on the implementation issues, and (c) incorporate suggestions into the draft actuarial guideline.
 - VARWG is making process in the hedging issues.
 - VARWG has formed a group to prepare a life practice note for the proposed AG.
 - Other revisions to the draft AG VACARVM include hedging methodology, alternative methodology, and wordings of the draft.
2. NY provided an update on the Standard Scenario for RBC and VA CARVM. Based on the comment letters submitted by insurance companies, NY has revised the assumptions for the Standard Scenarios. The revised assumptions will be provided to the working groups for further analysis.
3. Insurance companies were given the opportunity to talk with regulators regarding their comment letters. Significant remaining issues include (a) the application of the proposed RBC Phase II and AG VACARM for reinsurers, (b) tax reserves and (c) appropriateness of the Standard Scenario's actuarial assumptions.
4. One important discussion point is whether stochastic scenario testing is required for variable annuities without book guarantees. Both RBC and Variable Annuity Reserve working groups agree that stochastic scenario testing (stochastic scenarios and Standard Scenario) should not be required.



5. Another important discussion point is whether the new VA CARVM should be promulgated as an actuarial guideline or an insurance regulation. This issue remains unresolved.
6. NY insists that a minimum reserve floor is needed unless the valuation actuary can maintain his or her independence in choosing actuarial assumptions for statutory reserves.

Vincent Y. Tsang, FSA, MAAA

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