

General Nonforfeiture Project

The call included regulators from 18 states and a handful of interested parties.

The AAA presented its preliminary document for a blueprint on non-guaranteed elements (NGE). Highlights:

1. The approach is called Enterprise Risk Management, also called a “hub and spoke” concept. NGEs are the hub and the spokes are illustrations, valuation, cash flow testing, RBC, etc.
2. Each company would be required to prepare an internal plan for management of NGEs. This plan would be quite detailed, possibly proprietary, not filed with states, but subject to regulatory review if circumstances warrant.
3. A plan summary would be provided to each consumer. This document would give a high-level overview of NGE management, would be filed with the policy, but the methods would not require state approval.
4. NGEs do not include dividends.
5. A company-appointed NGE Actuary must certify annually whether or not the company is following the internal plan.

Because of the high-level nature of the report, AAA asked for feedback from regulators. The main concerns that regulators believe need to be addressed include changing the plan on existing policies, treatment of older policies, raising profit targets on existing business and how reinsurance affects the plan.

ACLI Actuarial Committee reiterated its opposition to this project, recommended that it should be dropped, and indicated that it will oppose it at every step of the way.

Discussion will continue at the September LHATF meeting and at a conference call after that meeting. Given that this project has been in existence in some form for at least eighteen years and noting the vocal opposition, one should not expect a quick resolution.

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