

SVL; Peer Review; Governance

This joint task force convened to discuss issues related to the mechanics of implementing a principles-based valuation system (PBV). Those issues included a review of proposed changes to the Standard Valuation Law (SVL), peer review and a proposed regulation on corporate governance.

Dennis Lauzon (NY) enumerated the changes he made to the draft SVL enabling provisions for PBV, based upon prior calls. He removed applicability and scope references to RBC, but added a reference to the Actuarial Opinion. He included a provision for a state to accept a valuation made for another state. Commissioners now have more discretion in setting requirements for how and when independent peer review and review of risk management systems occur.

An interested party remarked that the references to the Actuarial Opinion could impinge upon an actuary's ability to make such an opinion. The party also noted that the part of the definition of conservatism related to revenue recognition was unclear. There was no discussion, but the interested party promised more detailed written comments for the December meeting.

Mike Boerner (TX) updated the group on peer review developments. Peer review would now be part of the examination process, with the independent reviewer acting under the authority of the commissioner and subject to the examination procedures in the Examiner's Handbook. Some states were mildly disappointed that peer review could thus be less frequent than annually.

There was no time to discuss a proposed model regulation on governance for PBV.

The group leaned toward exposure of whatever happens at the December meeting just to get comments rolling. LHATF members realize that there is much work to be done on this project, and to that purpose they expect to ask for three conference calls in early 2006.

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