

Peer Review for Variable Annuities

LHATF discussed the design of a survey on peer review of the VACARVM and RBC proposals currently under consideration. Peer review has been discussed at a high level for the SVL 2 project, but today's call was specific to variable annuities.

The first part of the survey covers implementation issues, including who engages the reviewer, how important peer review of VACARVM and RBC is and what the timing of the review should be (concurrent with the opining actuary's work or after-the-fact).

The second and much longer part of the survey covers the scope of the review. It includes methods of calculation, data controls, reasonableness of assumptions both in the aggregate and individually, adequacy of documentation and ability of the company to implement a modeled hedging strategy. There was some sentiment that the last item was too broad, but it will remain in the survey.

The survey will not cover such topics as standards for reviewers, reporting requirements for the peer reviewer and follow-ups based upon the review.

The survey will be distributed next week to LHATF members, CADTF (Capital Adequacy Task Force) members and possibly some interested parties. The results will be discussed on LHATF's April 26 conference call.

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