

Peer Review for Variable Annuities

This call was actually sponsored by the Joint CADTF/LHATF Subgroup. The purpose of this call was to discuss the contents of a follow-up survey on peer review that will ultimately be sent to various state insurance departments.

The results of the first survey indicated a majority of states support the following major points:

1. The Commissioner should appoint or consent to the reviewer.
2. The peer review should encompass both reserves and RBC.
3. Reviews of systems, procedures and data integrity are quite important.
4. The review must include the modeling process, construction and validation of the model, hedge strategies and reinsurance.

The second survey will concentrate on the following questions:

1. Who conducts the peer review? Possible answers include the state of domicile, an independent consultant or a national body of regulatory actuaries.
2. What is the relationship of the peer review to the financial examination? There was some sentiment among regulators on the call that peer review be confined to reserves, while the examination would be broader in scope.
3. What degree of independence should the reviewer have? There was a lot of discussion about prior relationships with the company being reviewed and the length of time since the relationships were active. One party noted that banning peer reviewers with any prior relationship narrows the field too much.
4. What about general issues? These would include who is the peer reviewer's client, what are the professional qualifications needed, what are the reporting requirements and what types of legal protections should be established for the reviewer.

Regulators will have another opportunity to comment on the draft after it is updated to reflect today's discussion.

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