

LHATF – VA CARVM

On Wednesday, August 10th, LHATF held a conference call to discuss the current state of VA CARVM. The following states were represented: NM, AL, AK, CA, FL, KS, NY, PA, TX, IL, NC, MO, NJ, and CT. Several interested parties also participated.

Three agenda items were discussed: 1) Academy changes to the June VA CARVM document, 2) changes to the June New York proposal, and 3) questions raised by Aegon regarding the standard scenario.

Tom Campbell (AAA) discussed some minor changes to the exposed June VA CARVM document. The majority of the changes were made to be consistent with the RBC C3 Phase II proposal that was adopted by the E committee in June. While most of the items seemed non-controversial, New York took exception to a change that allows the company's board of directors the ability to appoint a committee to certify the company's hedging strategy, rather than requiring the board, or members of the board, to certify the company's hedging strategy. New York will review this issue with the Academy and work on some better definitions of investment strategies and investment policies.

Bill Carmello (NY) reviewed 2 significant changes to the June New York proposal. First, NY would like to also require a separate FAS 133 type reserve for MGDBs as well as for VAGLBs. This additional calculation would be another contract-by-contract reserve floor. Second, the net margin used for calculating the standard scenario reserve would be increased for fixed account value that is beyond the surrender charge period. This was an apparent oversight in the original proposal.

Some questions ensued. What is the rationale for including accumulated charges and a FAS 133-type reserve as a reserve floor? Accumulated charges were supposed to be a placeholder (i.e. Guideline 39). How would accumulated charges be released?

NY suggested that they did not like the fact that many of these contracts show little or no reserves in the early durations. This was a way to introduce some reserves early in the early policy years. NY is open for suggestions as to a release mechanism.

Some companies do groupings when they calculate FAS 133 reserves. Is New York proposing that companies do thousands of scenarios at the contract level?

NY did not intend for companies to be required to do thousands of scenarios on a contract-by-contract basis. They will try and give more guidance on what they intend.

The Academy expressed its concern at the number of floors that are now required within the New York Standard Scenario proposal.



A representative from Aegon inquired about the definition of “in-the-moneyness” as it pertains to the standard scenario. Is a policy considered to be in the money if it is projected to be in the money at any point in the projection, or should the evaluation of “in-the-moneyness” be evaluated at each projection month? Unfortunately, there was no time for a response to this question. NY agreed that they would try and answer off-line.

There was no time to discuss next steps. It is presumed that discussions will resume at the fall NAIC meeting.

Timothy P. Gaynor, FSA, MAAA

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