

Actuarial Guideline XXXVIII

The purpose of the call was to discuss the March 11 draft of the revised Guideline and to discuss the proposal from an industry coalition to introduce asset adequacy analysis as a long-term solution.

The March 11 draft, the result of LHATF's discussion at its March meeting, splits Item 8 into 8A and 8B. 8A applies to policies issued prior to 2006 and is unchanged from the original Guideline. 8B applies to policies issued in 2006 and later and would alter Step 4 by requiring the determination of the minimum shadow account necessary to fully fund the guarantee rather than the minimum single premium necessary.

Little discussion occurred. Because the draft has actually been available for only two weeks, LHATF took no action and solicited comments from both regulators and interested parties for later discussion.

The proposal floated by an industry coalition at the March meeting took up the bulk of the time. The "Harrison proposal" as it has come to be called has been met by tepid responses at best from LHATF. NY wants to shove it off the table. Other states cited flaws that must be corrected before it could go forward, among them going beyond interpreting the law, incorporating formulaic reserves from the March 11 draft above and determining a level of conservatism. The Harrison coalition agreed to work with a subgroup of LHATF (MN, NE and a player to be named later) to iron out these differences.

One other proposal mentioned in passing but not discussed is that of another industry coalition. It would compute the full funding amount in Step 4 of Item 8 equal to the necessary account value divided by .93, thus effectively ignoring the controversial load structures of some products.

LHATF has a call scheduled for May 9 to resume discussion on these items.

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