

SVL 2 Report

The ostensible purpose of the call was to get an update from the Academy's Standard Valuation Law Work Group (WG). The update turned out to be only a small portion of the call.

Mike Batte (NM), Chair of LHATF, opened the discussion by making an impassioned speech on a wide-ranging set of topics. He warned that LHATF has a number of projects for next year that are resource-intensive and that will require commitment from all LHATF members to complete on time. He urged LHATF to abandon so-called quick fixes to reserve problems and concentrate on a comprehensive revision to SVL. Finally, he pleaded for urgent adoption of Actuarial Guideline VA-CARVM.

Dave Sandberg gave the update on WG activities. The mission of this group is to focus on needed structural changes to support and implement a principles-based regulatory environment, a broader and higher-level charge than that of the UL Work Group. Highlights of ongoing projects include:

1. Revision of the SVL.
2. Development of a centralized reference set of websites and links.
3. Consultations with AICPA to determine accounting expectations of a principles-based system.

When Sandberg asked for prioritization from LHATF of the various activities, the discussion bogged down, taking up a lot of time with no decisions being made. Finally, Batte cut off discussion and enumerated three questions that must be answered by every member of LHATF by the December meeting:

1. Does SVL need a principles-based revision?
2. If so, should LHATF favor the Canadian approach whereby the company actuary sets reserve assumptions and is responsible for reserve adequacy?
3. If so, what system of governance (e.g., peer review) should LHATF recommend?

LHATF ended the call by briefly discussing experience studies and filing of such data as mortality by class, expenses and policyholder behavior. Regulators liked the idea of mandatory filing, but ACLI cited concerns about the costs involved of doing so.

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