

Regulatory Oversight

This joint subgroup met to discuss updated avenues to oversight, Standard Valuation Law (SVL) changes to recognize principles-based valuations and governance for a principles-based approach.

The document that lists the avenues to oversight now contains references to SVL changes and accounting considerations for a principles-based approach, but there was no discussion.

The subgroup spent almost the entire call discussing SVL changes. Dennis Lauzon (NY) indicated that the goal is to have a draft done by November 11 so that it can be exposed for comments at the December meeting. There is one phone call scheduled for November 2 to try to finish the draft. The draft itself is one section that will be inserted into the existing SVL.

Most of the discussion involved actions permitted by individual states. Many states voiced reluctance to rely on NAIC models and regulations as stated in the draft. Many of these states do not have the authority to delegate regulatory developments to outside bodies such as NAIC. They must pass or approve each model law or regulation in order to use it.

Related issues included reliance upon other states, domestic vs. foreign insurers and the availability of expertise by each state to oversee the process. Some parties noted that the draft does not prohibit states from using third-party experts as part of the oversight process. The draft will most likely be revised to address these issues.

The subgroup leaned toward removing RBC valuations from the applicability portion of the SVL draft. That issue will be kicked back to the Capital Adequacy Task Force.

Finally, there is a draft model regulation applicable to governance for principles-based valuations. However, the call ended before it could be discussed.

These issues will be addressed again on the November 2 call.

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18 October 2005

