

On Wednesday, January 26th, the Revenue Sharing Subgroup of the Life and Health Actuarial Task Force held a conference call to discuss the proposed changes related to revenue sharing in the VA CARVM reserve methodology. These changes were first introduced at the 2004 NAIC Winter National Meeting.

Only a handful of states, NY, TX and MN were represented. Some interested parties also participated.

The subgroup was formed to take a look at revenue sharing. The agenda for the meeting was as follows:

- 1- Look at what the Academy proposed.
- 2- Hear New York's views on revenue sharing.
- 3- Solicit comments on academy's views.
- 4- Agree on what would be included in a report to the full group.

A member of the Academy reviewed the proposed language that was added to the December version of the VA CARVM document. Texas and New York asked a few minor questions. No other regulators raised any issues.

Essentially, the Academy's view is very general. The definition of revenue sharing is as follows: "Revenue Sharing, for purposes of the Guideline, means any arrangement or understanding by which an entity responsible for providing investment or other types of services makes payments to the company (or to one of its affiliates). Such payments are typically in exchange for administrative services provided by the company (or its affiliate), such as marketing, distribution and recordkeeping."

The Academy's view is that if the revenue sharing agreements are guaranteed, the full amounts may be reflected in the methodology. For periods beyond any guaranteed period, some smaller amount may be reflected. The actuary would need to determine an appropriate amount.

NY's position is that only guaranteed revenue sharing agreements should be considered and then only if they may be assumed by a successor.

TX and MN felt that NY's position was a bit restrictive. Guaranteed agreements should be recognized 100%. Beyond any guarantee period, some smaller amount should be allowed. The actuary would use his or her discretion in setting this amount.

Some interested parties expressed that revenue sharing should be included because we are looking at all aspects of the business. Others argued that it would be arbitrary to restrict revenue sharing but then allow companies the freedom to set other assumptions.



The final report to the LHATF VA CARVM group will state:

- 1- NY is opposed to any form of revenue sharing that is not guaranteed with successor.
- 2- Two states have expressed some comfort with the Academy's proposal.
- 3- All other regulators failed to express an opinion.

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