

**LHATF – Actuarial Guideline VA CARVM**

On Wednesday, September 28<sup>th</sup>, the Life and Health Actuarial Task Force (LHATF) held a conference call to discuss any updates to Actuarial Guideline VA CARVM. The following states were represented: NM, FL, CA, MN, NE, NY, PA, TX, UT, CT and MS. Several interested parties were also represented.

The agenda for the call was:

- 1- Review of the Standard Scenario Subgroup Report
- 2- Discussion of Other Aspects of the Exposure Draft
- 3- Discussion of possible extension of AG39 to 1/1/07 or beyond
- 4- Future Steps

Mike Boerner of Texas provided a review of the standard scenario subgroup report. The report included the following:

- 1- A recommendation that an integrated approach not be pursued.
- 2- A description of the pros and cons of limited aggregation versus no aggregation. The subgroup considered using no aggregation for the first 5 years and then full aggregation thereafter. Another proposal was made to do the reverse, full aggregation for the first 5 years and then no aggregation thereafter.
- 3- A description of a simple approach that applies a percentage to the standard scenario amount. For example, 80% could be multiplied time the no aggregation standard scenario amount.

Mike stressed that these were options that had been discussed and that no formal recommendation should be made. He stressed that we should wait for the final form of the standard scenario before deciding any aggregation issues.

Next, the Academy reviewed changes proposed in its August 10<sup>th</sup> version of VA CARVM. These changes are viewed as minor in nature and are deemed necessary to keep VA CARVM consistent with RBC C3 phase II. There was no further discussion on these changes.

Next, New York's recent proposals (7/29 and 9/22) were discussed. New York's 7/29 changes include a change from 65 CTE to 80 CTE for the CTE reserve. There were also several changes to the standard scenario (ie changes in the drops and recovery rates, etc). New York's 9/22 proposal suggests that perhaps equity returns should be prescribed in order to keep a level playing field among companies. Additionally, in situations where company experience is weak, rates could also be prescribed. New York's main concern is that two similar companies could have different reserves because one company has more aggressive assumptions.



New York's proposals were discussed briefly. The Academy agreed to review New York's proposals and see if anything could be incorporated into the current version of VA CARVM. The Academy will make its recommendations at the December NAIC meeting.

As a final matter, Connecticut proposed that the sunset provision be extended on Guideline 39 from 1/1/06 to 1/1/08. New York seconded. No states opposed. The Chair of the committee expressed disappointment in extended G39 for two years instead of just one and commented that this probably means that it will take 2 more years to pass VA CARVM.

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