

LHATF – Updates on the Development of VA CARVM

On Friday, April 29th, LHATF held a conference call. The following states were represented: NM, AK, CA, CT, FL, KS, MN, NY, OH, PA, WV, AL, IL, and NC. Several interested parties were also represented. Attachments for this conference call are available at:

http://www.naic.org/meetings_events/conference_call_attachments.htm

Update from the Standard Scenario Subgroup

The Standard Scenario Subgroup stated that the Academy is working on generating assumptions and modeling results for contracts with Guaranteed Withdrawal Benefits (GWB). The goal is to have these results available by May 20th so that they may be discussed at the June NAIC meeting.

The subgroup also has discussed various alternatives to standard scenario calculations performed on a seriatim basis, including: aggregation, partial aggregation and integration. The Academy agreed to provide some indication of how the additional GWB options would impact the total reserves under various alternatives.

The standard scenario group anticipates being ready to make a recommendation to LHATF at the September NAIC meeting.

Update from the American Academy of Actuaries Variable Annuity Reserves Work Group

The Academy has updated the scenarios to reflect new calibration points. The original calibration points were calculated using a regime switching lognormal model. The new calibration points are calculated using a stochastic log volatility model. Additionally, the C3 Phase 1 interest rate model has been recommended to generate treasury rates.

The Academy has also updated the alternative factors that may be used for products with only guaranteed minimum death benefits. These factors were updated due to the use of new scenarios. The new factors cause an increase in reserves for the sample population.

The prepackaged scenarios and the alternative factors are currently available on the Academy website. The NAIC may want to reference the Academy page or move these items to their site at some future date.

LHATF voted to expose these current revisions to VA CARVM.



Update from CADTF/LHATF Joint Supgroup

New York gave a very informal update. The main topic to date has been peer review. A new survey will be performed with more specific questions. There are 10 open items that need to be considered before this type of reserve methodology could be regulated. There is a need for more resources. One aspect of peer review is when should the work be reviewed, during or after.

Update to the Standard Scenario

New York wants to change the drop and recovery factors for the equity and balanced funds. New York feels that these changes are necessary because they are based on calibration factors and the calibration factors have changed. New York would also like to change the standard scenario comparison to guideline 33 reserves to be on a contract by contract basis, not the aggregate basis that exists in the current exposed document.

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